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TREASURY DEPARTMENT

United States Savings Bonds Issued and Redeemed Through March 1966
(Dollar amounts in millions - rounded and will not necessarily add to totals)

	Amount Issued 1/	Amount Redeemed 1/	Amount Outstanding 2/	% Outstanding of Amt. Issued
TURED				
eries A-1935 - D-1941	5,003	4,993	10	.20
eries F & G-1941 - 1952	29,521	29,449	72	.24
eries J and K - 1952 - 1953	864	841	24	2.78
MATURED				
eries E: 3/				
1941	1,852	1,600	252	13.61
1942	8,180	7,091	1,089	13.31
1943	13,168	11,444	1,725	13.10
1944	15,350	13,226	2,124	13.84
1945	12,037	10,165	1,872	15.55
1946	5,428	4,364	1,065	19.62
1947	5,126	3,953	1,173	22.88
1948	5,289	3,984	1,304	24.65
1949	5,213	3,846	1,366	26.20
1950	4,553	3,295	1,258	27.63
1951	3,942	2,851	1,092	27.70
1952	4,130	2,949	1,181	28.60
1953	4,707	3,248	1,459	31.00
1954	4,790	3,199	1,590	33.19
1955	4,984	3,218	1,766	35.43
1956	4,791	2,983	1,808	37.74
1957	4,492	2,732	1,760	39.18
1958	4,346	2,511	1,835	42.22
1959	4,068	2,323	1,745	42.90
1960	4,061	2,197	1,864	45.90
1961	4,083	2,061	2,023	49.55
1962	3,929	1,896	2,033	51.74
1963	4,361	1,868	2,493	57.17
1964	4,256	1,698	2,558	60.10
1965	4,144	1,143	3,001	72.42
1966	227	-	227	100.00
Unclassified	524	567	-44	-
Total Series E	142,033	100,413	41,620	29.30
eries H (1952 - Jan. 1957) 3/	3,670	1,903	1,768	48.17
H (Feb. 1957 - 1966)	7,272	1,255	6,017	82.74
Total Series H	10,942	3,157	7,785	71.15
Total Series E and H	152,975	103,570	49,405	32.30
eries J and K (1954 - 1957)	2,874	1,896	4/ 978	34.03
Total matured	35,388	35,283	105	.30
ll Series < Total unmatured	155,849	105,466	50,383	32.33
Grand Total	191,237	140,749	50,488	26.40

/ 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 April 30, 1966
(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
RED				
ies A-1935 - D-1941	5,003	4,994	10	.20
ies F & G-1941 - 1952	29,521	29,450	70	.24
ies J and K - 1952 - 1953	864	843	22	2.55
TURED				
ies E: 3/				
1941	1,853	1,602	250	13.49
1942	8,183	7,100	1,083	13.23
1943	13,175	11,458	1,717	13.03
1944	15,353	13,245	2,108	13.73
1945	12,041	10,181	1,860	15.45
1946	5,432	4,374	1,058	19.48
1947	5,130	3,962	1,167	22.75
1948	5,292	3,994	1,298	24.53
1949	5,216	3,857	1,359	26.05
1950	4,556	3,305	1,252	27.48
1951	3,945	2,859	1,086	27.53
1952	4,133	2,958	1,175	28.43
1953	4,711	3,260	1,451	30.80
1954	4,794	3,215	1,580	32.96
1955	4,989	3,237	1,752	35.12
1956	4,799	3,003	1,796	37.42
1957	4,498	2,745	1,753	38.97
1958	4,352	2,523	1,829	42.03
1959	4,074	2,335	1,739	42.69
1960	4,067	2,212	1,855	45.61
1961	4,090	2,075	2,015	49.27
1962	3,936	1,918	2,017	51.24
1963	4,369	1,891	2,478	56.72
1964	4,264	1,730	2,534	59.43
1965	4,175	1,271	2,904	69.56
1966	639	28	611	95.62
classified	473	516	-42	-
tal Series E	142,539	100,855	41,684	29.24
ies H (1952 - Jan. 1957) 3/	3,670	1,926	1,745	47.55
H (Feb. 1957 - 1966)	7,330	1,273	6,057	82.63
tal Series H	11,000	3,199	7,801	70.92
tal Series E and H	153,539	104,054	49,485	32.23
ies J and K (1954 - 1957)	2,875	1,940	4/ 935	32.52
Series Total matured	35,388	35,286	102	.29
Series Total unmatured	156,414	105,994	50,420	32.23
Series Grand Total	191,802	141,280	50,522	26.34

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

TREASURY DEPARTMENT
Washington

STATEMENT BY THE HONORABLE STANLEY S. SURREY
ASSISTANT SECRETARY OF THE TREASURY
BEFORE THE SUBCOMMITTEE ON FISCAL POLICY
OF THE JOINT ECONOMIC COMMITTEE
WASHINGTON, D.C.
WEDNESDAY, MARCH 30, 1966, 10 A.M. EST

Madam Chairman and Members of the Committee:

I am very glad to participate in these Hearings. I believe they are contributing significantly to a clarification of the issues, and to an understanding of the problems involved in designing short range, temporary, tax changes for stabilization purposes.

In keeping with the Committee's invitation, my comments will not be related to the present situation but rather to the general question of using tax changes to dampen down economic fluctuations. Also for this discussion I will set aside the topic of long range tax reform, and concentrate on the stabilization problem.

My own remarks will start from two premises: the first is that it would be desirable to use rapid tax changes for economic stabilization purposes, when such changes are needed. Along with monetary policy and shifts in the timing of Federal expenditures, tax variation has an important role to play in economic stabilization. We need all the weapons we can muster in our arsenal to combat economic fluctuations. The second premise is that by one arrangement or another the legislative processes will permit such temporary tax increases and decreases to be undertaken with sufficient speed to meet stabilization requirements.

For my own part I would not disagree with a Congressional decision to rely upon the regular legislative procedures, for we have seen that these procedures when necessary can permit rapid action. I will therefore confine my attention to the principles and technical problems and issues relating to the types and design of temporary tax change that might be undertaken.

GENERAL CRITERIA

The essence of the kind of countercyclical tax action we are here concerned with is speed. As we all know inflation and deflation tend to become cumulative, feeding upon themselves and becoming harder and harder to stem or reverse as they follow their course. Yet while our economic forecasting methods have made great progress in recent times, they cannot tell us -- and given the dynamic world we live in I doubt that in the foreseeable future they will be able to tell us -- what action is needed much in advance of the time when that action must be taken. We cannot therefore afford to be slow in taking action once it becomes clear that action is needed. Moreover, the action we take must make its effects felt very promptly. This need for speed and flexibility in stabilization policy points to three basic criteria for assessing specific countercyclical tax measures.

One is simplicity. To meet this requirement the method of tax change should entail a minimum modification of the normal tax collection and payments process. The tax change should be easy for the taxpayer to comply with and easy for him to understand. And, of course, it should be easy for the Internal Revenue Service to put into effect.

A second important criterion for judging the merits of alternative temporary tax changes is the immediacy and certainty of their economic effects. As I have already observed, there will not be much time to waste once a determination of the need for action is made. Tax action which is delayed in its economic effects even though taken promptly, may well fail in its purpose. In fact, given the speed with which the economic situation can sometimes change there is risk that action of such nature may even be perverse in the timing of its effects and actually aggravate rather than diminish instability.

I believe that this criterion has an important bearing on the question of the extent to which short range tax changes should aim at influencing investment or consumption. It is true that investment is the more volatile sector in our economy and it would be desirable to try to mitigate sharp fluctuations in the investment sector. On the other hand, evidence appears to indicate that the time lags between tax change and expenditure change are substantially less and the effects are more certain for consumption than for investment. Consequently, for countercyclical tax policy it is probably the better part of wisdom to aim at both consumption and investment but to place primary reliance on influencing consumption.

As a third general criterion to apply to the choice of temporary tax changes, the design of countercyclical changes should be such that the changes can be assured of ready and therefore speedy general acceptance. Proposals that provoke controversy, or that, because of their novelty or complexity, require considerable study to understand and appraise must inevitably cause delay in taking action and therefore cannot really be fitted into a policy of temporary countercyclical tax changes.

Closely related to acceptability is the criterion of symmetry. If legislation is to be rapidly enacted, the Congress and the public must be assured that the legislation does not involve making long run permanent rate changes in the tax system. This consideration requires that the changes be temporary. If after a year or so the change is no longer needed, it should come off in the same way that it went on. If on the other hand it develops that the increase or decrease in revenue needs will be permanent -- as far as anything can be "permanent" in a tax system -- it should be understood that the temporary change itself will expire and be replaced by a long-run tax change developed in the usual way and including whatever structural changes the Congress might think appropriate.

Even temporary changes, however, still involve the problem that different types of change are available and a voter is apt to choose among them on the ground of which one affects him most favorably. But it may be that a type of change that is relatively favorable to a group of taxpayers when an increase is required will become relatively unfavorable when tax reduction is called for.

It has therefore been suggested that the prospects for general agreement on the available types of change might be improved if a further principle of symmetry is advanced that countercyclical tax decreases should be the mirror opposite of tax increases. Under this principle, tax changes may work to the relative advantage of some people in some stages of the economic cycle but not at others, and the tendency would thus be neither to favor nor disfavor any group over the full course of upswings and downswings. However, in view of the many considerations that enter into the formulation of fair and effective tax changes there is a question as to just how much weight to give to this version of the symmetry principle. Perhaps a more flexible interpretation that permits the inflationary and deflationary phases to be treated somewhat differently might prove more realistic and useful. At least, I would leave this particular aspect of symmetry as an open one to be considered after we have learned more about the entire process of these stabilization tax changes, rather than regard it as a governing concept.

Structural Changes Unsuitable

If these criteria can be considered valid guides for the choice of countercyclical tax measures, it seems clear that proposals which involve structural changes in our tax system are usually of doubtful appropriateness. Or, to put the matter another way, only those structural changes which are readily and generally acceptable, whose effects are immediate and predictable, and which are relatively simple to implement, ought to be considered in connection with short-run stabilizing tax policy. This presumably renders ineligible many of the long standing and thus usually controversial proposals for tax reform.

I think it also precludes adding to our existing structure in such a process a new type of tax, whether the tax is to provide additional revenue or to permit reduction in yield from existing sources. A new tax always involves a number of basic policy questions which are far more numerous than is usually perceived or recognized when the tax is proposed, and which cannot properly be considered at the same time that attention is being given to temporary stabilizing tax changes. To illustrate this point, I would like to submit as an appendix to this statement, a memorandum which sets forth some of the policy decisions involved in formulating the structure of a value added tax, which tax has been proposed during the course of the Committee's hearings.

This should not be construed to preclude consideration at appropriate times of possible modifications of the present structure that would make it more amenable to implementing a flexible tax policy. For the present, however, I think it advisable to focus on what can be done within the existing structure.

Let me now turn to some of the technical issues that would be involved in temporary changes of specific taxes within our existing structure.

INDIVIDUAL INCOME TAX

On the basis of the criteria of immediacy and certainty of economic effect the individual income tax is probably the most suitable for implementing temporary changes in tax rates. Due to the withholding feature of the tax, a very quick impact on the disposable income of individuals can be achieved. Indeed the sensitivity of this withholding procedure has been increased through the recent adoption of a graduated withholding system.

In turn, the influence of changes in current disposable income on consumer expenditures is probably the most prompt and most reliable influence on aggregate demand that fiscal policy has to work with, whether for short run changes up and down or for longer range changes in the level of demand.

There are numerous ways by which temporary changes in the individual income tax can be produced. One approach suggested by the criteria of simplicity and ready acceptability is to devise a "neutral" type of short range tax change. By "neutrality" is meant a tax change that does not attempt to alter the general progressivity of the tax as it exists before the change. Since a number of witnesses have spoken about this neutrality, some discussion of its technical aspects is in order.

"Neutral" Changes

Neutrality is itself subject to alternative interpretations. One interpretation appealing as a theoretical matter to some economists calls for a tax change equal to a uniform percent of the "disposable income" of taxpayers -- that is, the income they have available to spend on goods and services or to save. This approach would leave the relative position of taxpayers measured by their disposable income unchanged. That is, if one individual had 50 percent more disposable income than another before the tax change, he would still have 50 percent more after the tax change.

There are some important practical difficulties with this method, however, which preclude its use for countercyclical purposes. *

* A definition of "disposable income" would be required whereby the amount for each taxpayer can be determined with the precision needed for a tax measure. Drawing on present tax devices, "disposable income" might be defined as the adjusted gross income of a taxpayer minus his tax liability. "Adjusted gross income" is roughly earnings and business net income before personal exemptions and personal deductions. But under this definition, a temporary tax turning on disposable income cannot be built into either the rate structure, essentially because our statutory rates apply to taxable income, or into the present withholding structure which allows for personal exemptions and deductions. To illustrate, consider a group of married couples all having the same taxable income but, due to differences in itemized deductions and/or family exemptions, have different amounts of adjusted gross income. They would all be liable for the same amount of income tax, as computed from the existing rate structure. However, their disposable incomes, as above defined, would differ from one to the other. Hence, under a uniform percent of their respective disposable incomes, the amount of the temporary tax increase or decrease will vary from one couple to another. But since their taxable income does not vary, this tax change could not be stated in terms of the rate structure, which applies to taxable income.

Thus to compute the temporary tax under this uniform percent of disposable income method, separate computations would be required by the individual on his return and by the employer for withholding purposes.

Another complication under this method if strictly pursued, is that in periods calling for a tax increase, individuals who otherwise would be nontaxable should nevertheless become liable for the temporary tax, and in periods calling for a decrease, nontaxable individuals should benefit from a disbursement from the Treasury. While the logic for these computations may be clear to the economist, it probably would not be readily understood by the average taxpayer.

There are two other simpler methods of implementing individual income tax changes that may also be interpreted as "neutral."

One of these is a *uniform point change in tax rates* in each bracket. This method may be considered "neutral" since the tax change amounts to a uniform percentage of everyone's taxable income. That is, if all the existing bracket rates were increased by one point, an individual with $2,000 of taxable income would pay $20, and an individual with $10,000 of taxable income would pay $100. Also, since all brackets would be increased by one point, the differences from one bracket to another would remain the same as before the tax change.

Another "neutral" method of changing taxes is by means of a *uniform percentage change in tax liabilities*. Under this method the *relative* amount of tax paid by each individual is the same after the tax change as before the change. Thus, under an increase, if one individual's tax liability is 10 percent higher than another's before the change, it will still be 10 percent higher after the change.

The comparative effects of these methods on taxpayers at various income levels is illustrated in the attached table. The table shows how a married couple with two children taking 10 percent standard deduction would fare at various levels of adjusted gross income under a hypothetical tax change that in the aggregate would involve $2.5 billion. Solely for purposes of comparison as to the distribution of the tax change, the *uniform percentage of disposable income* method is also included in the table.

There it can be seen that at incomes of $3,000 and under where no tax is imposed under present law, neither the *uniform percentage of tax liability* nor the *uniform point change in rates* methods would, of course, cause any change in tax liability up or down; the *uniform percentage of disposable income* method would produce tax changes for these incomes. Beyond this level, the *uniform percentage of tax liability* method would impose larger tax increases on higher incomes and smaller tax increases on lower incomes than either of the other two methods. Symmetrically, this method would provide larger tax reductions for higher incomes and smaller tax reductions for lower incomes than either of the other two methods. Under the *uniform point change in rates* method, the differential increases and decreases as between higher and lower incomes fall in between those for the other two methods. Thus for the taxpayer with $4,000 of adjusted gross income, under the *uniform percentage of tax liability* method the tax would rise or fall by $7; under the *uniform point change in rates* the tax would

Illustration of Three Tax Change Formulas With a $2.5 Billion Revenue Effect

(Married taxpayer, two children, 10 percent deductions or minimum standard deductions)

AGI	Taxable income	Tax present law	AGI after tax	Uniform percentage change in tax liability (5%)		Uniform point change in tax rates (1%)		Uniform percentage change in disposable income (.66%)	
				Tax increase (+)	Tax decrease (-)	Tax increase (+)	Tax decrease (-)	Tax increase (+)	Tax decrease (-)
$ 2,000	$ 0	$ 0	$ 2,000	$ 0	$ 0	$ 0	$ 0	$ + 13	$ - 13
3,000	0	0	3,000	0	0	0	0	+ 20	- 20
4,000	1,000	140	3,860	+ 7	- 7	+ 10	- 10	+ 25	- 25
5,000	2,000	290	4,710	+ 14	- 14	+ 20	- 20	+ 31	- 31
7,500	4,350	686	6,814	+ 34	- 34	+ 44	- 44	+ 45	- 45
10,000	6,600	1,114	8,886	+ 56	- 56	+ 66	- 66	+ 59	- 59
12,500	8,850	1,567	10,933	+ 78	- 78	+ 88	- 88	+ 72	- 72
15,000	11,100	2,062	12,938	+ 103	- 103	+ 111	- 111	+ 85	- 85
25,000	20,100	4,412	20,588	+ 221	- 221	+ 201	- 201	+ 136	- 136
50,000	42,600	13,388	36,612	+ 669	- 669	+ 426	- 426	+ 242	- 242

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rise or fall by $10; and under the uniform percentage of disposable income method the change would be $25. For the $50,000 income, the respective tax changes under the three methods would be in reverse order of magnitude: $669, $426, and $242.

I also have included a table which compares the rate structures that would implement the two alternative methods of changing tax liabilities up or down by $2.5 billion. However, it would not be necessary to modify the present rate structure in order to implement either method. If desired, each could be expressed as a separate tax on the return -- a percent of tax liability or a percent of taxable income, added on to the present law tax.

To put either the uniform percentage of tax liabilities change or uniform point change in tax rates into effect, new withholding percentage formulas and new withholding wage bracket tables would be needed. This can be done accurately, since either method can be translated into increased tax rates.

The necessary revision in the withholding rates would require the Internal Revenue Service to print the new withholding percentage formulas and the new withholding wage bracket tables and distribute them to employers. Employers who utilize computers would need time to reprogram them. A minimum of 30 days should be allowed for all this; around 22 days for the Internal Revenue Service to prepare and distribute the new material and about 8 days for the employers to put the change into effect. Presumably, there would be a period before the bill becomes law through Presidential signa (but after the rates become firm) during which the Service could begin its wor that a period of 30 days from enactment date is not required. It should be

Illustrative Rate Structure for Alternative Income Tax Changes

(Approximately $2-1/2 billion)

Taxable income bracket (single person)	Present law rates	Uniform 5 percent change in liability		Uniform 1 point change in rates	
		Increase	Decrease	Increase	Decrease
($000)					
0 - 0.5	14	14.7	13.3	15.0	13.0
0.5 - 1.0	15	15.8	14.3	16.0	14.0
1.0 - 1.5	16	16.8	15.2	17.0	15.0
1.5 - 2.0	17	17.9	16.2	18.0	16.0
2.0 - 4.0	19	20.0	18.1	20.0	18.0
4.0 - 6.0	22	23.1	20.9	23.0	21.0
6.0 - 8.0	25	26.3	23.8	26.0	24.0
8.0 - 10.0	28	29.4	26.6	29.0	27.0
10.0 - 12.0	32	33.6	30.4	33.0	31.0
12.0 - 14.0	36	37.8	34.2	37.0	35.0
14.0 - 16.0	39	41.0	37.1	40.0	38.0
16.0 - 18.0	42	44.1	39.9	43.0	41.0
18.0 - 20.0	45	47.3	42.8	46.0	44.0
20.0 - 22.0	48	50.4	45.6	49.0	47.0
22.0 - 26.0	50	52.5	47.5	51.0	49.0
26.0 - 32.0	53	55.7	50.4	54.0	52.0
32.0 - 38.0	55	57.8	52.3	56.0	54.0
38.0 - 44.0	58	60.9	55.1	59.0	57.0
44.0 - 50.0	60	63.0	57.0	61.0	59.0
50.0 - 60.0	62	65.1	58.9	63.0	61.0
60.0 - 70.0	64	67.2	60.8	65.0	63.0
70.0 - 80.0	66	69.3	62.7	67.0	65.0
80.0 - 90.0	68	71.4	64.6	69.0	67.0
90.0 - 100.0	69	72.5	65.6	70.0	68.0
100.0 and over	70	73.5	66.5	71.0	69.0

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noted that employers have been given about 30 days to effect the change-over this year from flat rate withholding to the new graduated plan. However, this longer period is needed since they must obtain new withholding exemption certificates from their employees. There would be no necessity for this in changing over from one graduated rate structure to another; therefore, 8 days seem sufficient for employers under these circumstances. This was, by the way, the period allowed employers for the change-over under the Revenue Act of 1964.

In general -- and this is the significant point in all this technical discussion of "neutral" methods -- one should really not exaggerate what amounts to fine points of difference between the uniform percentage change in tax liability method and the method providing a uniform point change in tax rates. Each is simple to express in the tax return and to understand. Each therefore seems appropriate as a method for countercyclical change in the individual income tax.

Economic Effect

With regard to the economic effectiveness of temporary individual income tax changes, the relevant consideration is the impact within a relatively short period of time and within the context of a cyclical up or downswing. In this context, expectations can be very important; and if a countercyclical fiscal policy is followed, it in itself will have an influence on expectations. If the policy inspires confidence that it will succeed in dampening fluctuations, then the expectations it generates will be favorable. In a downswing, consumers may be buoyed up by anticipation of the tax cut, and also by anticipation of its success in stemming the decline. In a boom period, consumer expenditures may be abated by expectations of counterinflation tax policy. Such behavior would also, of course, have an impact on investment.

Some economists have argued, on the other hand, that a temporary change in tax rates might be less effective than a permanent one, because it might not lead consumers to alter their established spending habits or lead businessmen to change their sights on long term rates of return on investment. Such factors may be relevant, but they may still be considerably outweighed by the important confidence effects of adjusting fiscal policy appropriately to changing economic circumstances. These confidence effects cannot be included in any statistical estimates of the likely magnitude of the short range effects of a tax change on GNP. As to the quantitative estimates that can be made, I gather that economists would judge roughly that within two to four quarters after the effective date, the impact on the annual rate of GNP would range between $1 billion and $2 billion per $1 billion of change in individual tax liabilities.

Capital Gains

With regard to capital gains, the question is whether or not the tax rate should go up or down with personal income tax rates. Capital gains which are not taxed at the ceiling rate of 25% are taxed at a rate which is in effect 50 percent of the marginal income tax rate. Itseems reasonable to continue the 50 percent inclusion rule through a temporary tax change which would make the gains subject to tax increase or decrease that was proportional to the tax change on other income.

As to whether the alternative ceiling rate on capital gains should be changed, one could raise the question whether the occurrence of a temporary increase or decrease might cause investors to speed up or slow down sales that they would have made in the near future. On balance changes of a point or two in the ceiling rate seem unlikely to have this effect. This issue might well be decided on the basis of the general attitude toward the fairness of including the ceiling capital gains rate in a program of temporary changes in the individual income tax.

Low Income Taxpayers

An interesting departure from simple, symmetric up and down changes in rates was proposed to the Committee by Professor Carl Shoup. He suggests that, for the anti-inflation phase, low income taxpayers be excepted from the increase. They would, of course, then get no benefit when the increase was taken off. As a technical matter, this could be done in a number of ways. Using Professor Shoup's suggested levels, all the surtax rates could be raised except the first few. Or the increase might be expressed as a percentage of that part of an individual's tax that exceeded, say, $300, or some percentage of the part of his taxable income that exceeded, say, $2,000. The device could be structured to exempt only low income taxpayers, and not thereby extend the benefit of the exemption to taxpayers in higher brackets.

To illustrate the effect of this suggestion, consider that initially a uniform 5 percent increase in all tax liabilities is planned, designed to raise $2.5 billion in revenues. Then suppose the plan were modified to impose no tax increase on the first $300 of tax liability of married couples and no increase on the first $150 of tax for single individuals.

The result of this modification by itself would be to reduce the overall revenue increase by $600 million, of which about $160 million would benefit married couples with less than $2,000 of taxable income, and single persons with less than $1,000 of taxable income. The maximum individual benefit would amount to $15.

To offset the revenue loss, the percentage increase would now have to be raised from 5 percent to 6.5 percent. The net effect of shifting from the alternative of a uniform 5 percent increase in all liabilities to a 6.5 percent increase on tax liabilities in excess of $300 for married couples can be illustrated in terms of a married taxpayer with two dependents using the standard deduction. No tax increase would be imposed on this family under the 6.5 percent formula, if its adjusted gross income were $5,000 or under; if its AGI were between $5,000 and $9,500 the increase under the 6.5 percent alternative would be less than under the 5 percent (with no exemption) alternative, and more than under the 5 percent (with no exemption) alternative if the family's income exceeded $9,500.

CORPORATE INCOME TAX

There are a number of reasons -- both economic and equity -- for considering the corporate income tax in a balanced package of contracyclical income tax changes. Broad neutrality as between individuals and business, which is predominately corporate, is probably desirable. Moreover, individual income tax rate changes would apply to unincorporated businesses. Appreciable disparities in the treatment of corporate and noncorporate enterprise would affect the choice between the corporate and noncorporate form of business organization in the important area of small and medium-sized businesses. Furthermore, most observers -- including both expert and nonexpert opinion -- believe that if *higher* burdens are placed on individuals in response to economic conditions, even though the emphasis may be on curtailing consumption, corporate business should be called on also to make some contribution. Changes in corporate tax payments may influence both dividend payments and investment outlays. This belief probably does not apply with the same force to tax decreases during a downswing. Still, reduction in the corporate tax paralleling that in individual taxes may be appropriate to maintain a simple symmetry over the cycle and also because of its economic effects.

Changes in corporate tax can be made in a manner more or less parallel to the changes discussed for the individual income tax. A simple change in the tax applying to all corporations could be achieved on either the point change method or the percentage of tax liability method. In the case of a *point change*, the normal tax rate, which is now 22 percent, could be changed by the desired number of points. At presently projected 1966 levels of income and profits, a one point change in the normal tax would produce approximately a $700 million change in corporate tax liabilities. This figure is net of an offsetting small change ($40 million) in tax yield from the assumed effect on dividends.

As an alternative, a uniform 2-1/3 percentage change in corporate tax liabilities might be used, which would also produce a revenue change of $700 million. As compared to the one point change in the normal rate, this method would produce a larger increase and a larger decrease in tax liabilities of large corporations, and a smaller increase or decrease in the liabilities of smaller corporations.

A one point corporate rate change confined to the surtax rate would produce a change in yields of about $630 million. This would exempt small corporations from participation in the countercyclical policy. However, any merit that may inhere in the exclusion of low income groups from a temporary increase in the individual rates does not appear to carry over to the corporate sector. Moreover, varying the spread between the normal rate and the surtax rate would aggravate the tax preference for multiple surtax exemptions.

With regard to economic effectiveness of changes in corporate rates, a temporary change in corporate taxation works primarily through its effects on cash flow, a key factor in investment calculations and decision-making. Cash flow is usually measured after book accruals of tax liability. But the available flow of corporate spending is also influenced by actual tax payments, particularly in periods of (a) monetary restraint or (b) hesitancy on the part of business to borrow.

The fully current tax payment system for corporations introduced in the 1964 Revenue Act, the transition to which will be made by 1967 under the accelerated payment provisions of the Tax Adjustment Act of 1966, just enacted by the Congress, ensures that the actual cash payment and cash flow effects of corporate tax changes will make themselves felt promptly. By 1967, all corporate taxes in excess of $100,000 will be subject to declaration and payment of estimated tax beginning in April of the current income year for a calendar year corporation.

No more than 30 days would be necessary to implement a corporate tax change through notifying all corporations of the applicability of new rates. The effect on aggregate demand and GNP would almost certainly be slower than from a change in the individual tax rate, although again expectations factors of a reinforcing nature would probably be operative as a result of anticipation of the countercyclical policy. The magnitude of the short run effect is certainly no easier to estimate than for changes in the individual rates. Perhaps the GNP effect, at annual rate, would reach $1 billion per $1 billion of tax change, within four quarters after the change went into effect.

Excess Profits Tax

The excess profits tax is generally recognized as an inherently defective tax and barely satisfactory as a taxing instrument in periods of severe defense emergency. The prospect that an excess profits tax would be reactivated from time to time in a peacetime economy as a countercyclical measure would have serious adverse effects on business planning. New businesses and new risk ventures would face the prospect of severe marginal tax rates on the rewards of success whenever they coincided with exuberant upswings in the economy. Such a prospect would have deterrent effects on growth and innovation.

New ventures and expansion would tend to be undertaken only within the framework of corporate entities which would be expected to enjoy a favorable position with respect to an excess profits tax, because of available historical earnings records, invested capital structures, or eligibility for accustomed special relief features. The timing of deductible expense outlays would be arranged to maximize the costs deducted in excess profits tax periods, thus accentuating economic strains in a period of high prosperity. Production of new or scarce items likely to yield temporary high profits would tend to be inhibited during excess profits years, with the consequence that shortages would be aggravated in these periods. Disproportionate energies would be devoted to the planning of business activity within the protection of various excess profits tax shelters.

INVESTMENT CREDIT

The possibility of changes in the investment credit received considerable attention during these Hearings. Some economists have stated that investment demand may be reaching excessive levels, either because it strains our capacity for producing more plant and equipment or because it generates a capacity for producing final goods in excess of the economy's long term needs. These economists have contended that the very factors that made the investment credit a particularly successful stimulus to investment now recommend its modification or suspension in order to moderate an overly buoyant investment demand. A temporary suspension could, they argue, have especially favorable effects in encouraging business firms to defer investments to a period when they might be more appropriate to the state of the economy.

Without entering the argument of whether the present level of investment demand is excessive, I would like to indicate that there are structural and other aspects of the investment credit which need to be considered in evaluating its possible countercyclical use.

I would like to point out first that, in the recent debate in the Senate over suspension of the credit, those who advocated suspension felt required, and understandably so, to still allow the credit with respect to machinery and equipment already on order. This would remove a large area of current and future expenditures from the scope of the suspension and thereby reduce its current economic and revenue effect. At the other end, the fact that the credit is earned when the equipment is installed -- and not when the equipment is ordered or when expenditures for it are made -- would always leave the credit still applicable to orders entered during the suspension period for equipment whose lead time would place the installation after the suspension was over. This also reduces the scope of the suspension. Moreover, the equipment left to be affected by the suspension -- that both ordered and installed in the suspension period -- in large part would be the sort of machinery and equipment, that, in coming on stream, would be helpful in meeting shortages.

Actually, I think people who have advocated suspension of the credit really have an image of its operation that would have it turn on orders rather than installations as it now does. This possibility was explored at the time the credit was originally set up and found not to be feasible.

Many advocates of suspension of the credit have also thought of the suspension as part of a program that would include both individual and corporate tax increases. In such a program, to the extent the suspension of the credit would be effective, the question would have to be considered whether this action, taken together with the rest of the program, would provide too much restraint on investment.

Also, it must be kept in mind that the investment credit has a long run purpose of stimulating modernization and expansion of our machinery and equipment. This is necessary to give us the industrial structure needed to meet our domestic growth needs, to fulfill our international obligation, and to maintain the strong competitive position required for our balance of payments goals. Indeed, countries such as the United Kingdom and France with their own problems of inflationary pressures are currently moving to provide incentives to business investment.

So far I have discussed the counterinflationary aspects of a change in the credit. But there are analogous questions with respect to temporary increases in the credit to counter deflationary forces. A temporary increase in the investment credit rate, say, from 7 percent to 10 percent would result in an unexpected windfall on outstanding commitments which had been made in expectation of the existing 7 percent credit but which would receive an additional 3 percent. As a result, the increase would, in effect, be retroactive, particularly with respect to the portion of the costs of assets placed in service during the increase period which represented expenditures or costs allocable to a prior period. At the same time, the retroactive feature of such an increase would be necessary and desirable to assure that the prospect of getting a higher credit in a depressed period would not lead to delays in investment and slowdowns of projects already under way at a time when some increase in the credit might be expected.

A temporary increase in the credit would stimulate chiefly short lead time items which could be completed with some confidence in the increase period. Apart from its contribution to corporate cash flow, the increase would not effectively stimulate investments, completion of which would take some time, leading to an installation after the credit had reverted to its normal level. The way a credit increase would help to combat recession would be primarily to hasten to completion projects already under way and to stimulate demand for individual standard pieces of equipment, such as trucks, fixtures, and office equipment. Any use of a temporary increase in the investment credit as a counterrecessionary measure would depend upon the development of sufficient retroactivity to insure that the prospect of an increase would not add to uncertainties during periods of economic hesitancy and would not slow down investment in such a way as to aggravate depressed conditions of investment demand.

In considering countercyclical variations in the investment credit, it is important to recognize that investment demand will be influenced by corporate tax changes and -- indirectly but possibly even more significantly -- by variations in individual income tax rates. These effects would cover a wider range of investment -- including inventories and accounts receivable -- than would a change in the investment credit. Changes in the investment credit would concentrate on machinery and equipment acquisitions. The proportion of total corporate plant and equipment outlays eligible for the credit in 1963 was about 60 percent, and a share of this was subject to only the 3 percent rate of credit applicable to certain public utilities. In general, decisions in this area must involve the question of whether the concentration on a particular sector of business outlays or whether a comprehensive approach to influencing business outlays would be more effective in serving the needs of economic stabilization.

USE OF EXCISE TAXES FOR COUNTERCYCLICAL PURPOSES

An attempt to include excise tax changes as part of a countercyclical tax program would give rise to a number of problems and difficulties.

A major problem would arise from the fact that the federal excise system as of now is made up almost entirely of three groups of taxes, (1) the sumptuary taxes on liquor and tobacco; (2) user charges and dedicated taxes; and (3) regulatory taxes. In addition, there are the taxes on new passenger automobiles and telephone service. But the telephone tax under present law is scheduled to be repealed in 1969. As for the automobile tax, the President has recommented that the 1 percent tax which will remain in 1969 be dedicated to the Highway Trust Fund to pay the costs of the programs of highway safety and beautification.

This threefold classification of the excise system severely limits the adjustments that could be made to the existing excise taxes for countercyclical purposes. The regulatory taxes raise little revenue and do not lend themselves to adjustments for revenue purposes. Those taxes that are levied as user charges or whose revenues are dedicated to special purposes also do not readily lend themselves to anticyclical adjustments. The taxes are designed to charge users with the cost of certain public expenditure programs, and their use in a countercyclical manner might be considered discriminatory and inequitable. To raise charges above user cost levels in an inflationary period would be a form of discriminatory penalty tax on the users of the services; a reduction below user cost levels would in effect be a subsidy of the users of the service. It is questionable if public policy would be well served by alternatively penalizing and subsidizing, for example, users of the federal airways system and thus air transportation.

It would be possible to revise liquor and tobacco taxes up and down according to cyclical revenue policy (the British have done this a number of times), but there are constraints on how much could be done. Taxation of liquor and tobacco is supported by the public for sumptuary as well as revenue reasons. At the same time, the policy has been to avoid severely depressing these industries. If the desired fiscal policy called for a reduction in federal tax rates, sumptuary considerations might argue against a drastic reduction in alcohol and tobacco taxes. On the other hand, while fiscal considerations might warrant substantially higher tax rates in general, the effect on the alcohol and tobacco industries might lead to little or no tax increase on their products.

Finally, taxes that affect prices always incur the danger of setting up perverse expectation effects. If consumers anticipated that prices were going to rise as a result of an increase in the tax, they would accelerate their purchases, thereby aggravating inflationary pressures. On the downside, they may hold back purchases in anticipation of tax reduction, thereby aggravating the decline at least in the early stage before the decrease in tax was actually in effect.

In view of the structure of the present excise system then, it would be difficult to utilize existing excises as much of a countercyclical measure. Nor would it be at all desirable to impose new selective excises or reinstitute those that have been repealed. The excise tax action of last year was properly based on the idea that the Federal tax system should de-emphasize selective excises, because of their regressive, and discriminat effects, and because they often pose compliance difficulties.

PAYROLL TAX

The payroll tax is connected with the social insurance system, and countercyclical changes in contribution would seem inappropriate. Increases in the tax would put a relatively large burden on low income workers and would scarcely be neutral. At the same time, the employer's portion is closely related to costs, and it would be uncertain as to how changes in the employer's tax would affect business behavior and prices.

The timing of otherwise desirable payroll tax changes must, however, be considered in light of economic conditions so as to avoid a destabilizing economic impact. There may be opportunities to alter the timing of such changes to assist economic stabilization without conflicting with the long run principles of financing appropriate to the social insurance system.

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APPENDIX

Some Policy Decisions Involved in Formulating the Structure of a Value-Added Tax

1. Scope of Tax

Would the tax apply to the corporate sector only or cover unincorporated businesses as well?

Would the tax apply only to manufacturing and distribution of goods? Or would it also apply to services, including domestic service, casual labor, legal, medical, accounting, and various other personal and professional services? Should retailing be included, in view of widespread State and local retail sales taxes?

2. Special Rates and Exemptions

Should the tax apply uniformly at a standard rate to all goods and services or should it be differentiated, as in France, so as to bear more lightly on "necessities" as against "luxuries"?

Should exemptions be provided for certain end-products such as fuel and medicine? Or for certain uses of end-products such as purchasesfor use of churches, schools, hospitals, and charitable or scientific institutions?

Should relief be granted particular industries with unusually high value-added margins?

3. Agriculture and Small Business

Should farmers, shopkeepers, barbers, bakers, restauranteurs, cleaners and laundrymen, tailors, radio and TV repairmen, or small businessmen generally be required to pay the value-added tax?

Should other vertical or horizontal exemptions be provided, i.e., by size of business or by type of activity? If so, at what size level (sales volume, employment, etc.) should the exemption be determined?

4. Financial, Real Estate, and Royalty Income Sector

How should interest, rent, and financial intermediaries be treated under the tax? Presumably interest and rent payments would normally be taxed as costs to the payor. If interest is taxed generally as a cost or value-added item, would this rule work hardship on interest-paying financial intermediaries suchas banks, life insurance companies, and similar savings institutions, a large part of whose costs are interest payments to depositors, policyholders, etc.?

Should rents of real estate enterprises owning apartment houses, office buildings, and commercial industrial properties be taxed? Should the tax be imposed on the rent payor or payee?

5. Definition of the Value-added Base

Should all depreciation or expenditures on capital goods be disallowed as costs (GNP type of value-added tax)? Or should depreciation be allowed on depreciable assets ("income type" of value-added tax)? Or should the entire purchase of depreciable assets be deducted as a cost ("consumption type" of value-added tax)? If the consumption type of tax is adopted, how is the transition handled with respect to pre-existing assets which were not deducted at purchase or previously depreciated for purposes of the new tax?

6. Mechanics of Application

Should the tax be applied (1) to value-added defined as sales less deductions for previously taxed purchases, (2) to the entire sales of the firm, as in France, subject to a credit for value-added tax paid on purchases invoiced to the purchaser, or (3) directly to value-added costs (i.e., wages, interest, previously untaxed purchases, etc. plus profits)?

7. Rebate on Exports

Presumably imports would be taxed in full while exports would be eligible for rebate of cumulative tax paid on the exported commodity. How is the export rebate effectuated? By refund only to the exporter? By refunds tracing taxes back to each of the firms which have contributed to the export value as the goods moved through the various stages of production and distribution?

How will "reexports" containing previous imports be handled? How will "reimports" containing previous exports be handled?

8. Special Income and Cost Problems

Should capital gains be included in the value-added base? (If not, potential profits taxable under the value-added tax could be capitalized by sale and removed from the value-added base.)

Should depletion be taxed as a value-added item? If deductible, how should depletion be calculated for value-added purposes?

Should special treatment be accorded "fringe benefit" compensation, including pension trust contributions and profit-sharing benefits?

Should tax payments of any kind be excluded from the firm's value-added base? Should different taxes be treated differently?

9. Public Enterprise, Tax-exempt Institutional Activity, and Cooperative and Mutual Enterprise

Should the value-added tax be applied to government-owned enterprise? To enterprise conducted by tax-exempt institutions? To cooperatives and mutuals? How should clubs (bars, restaurants, recreation facilities) be treated?

10. Reporting and Collection Procedures

Would the value-added tax return be integrated with the regular income tax or treated as a separate tax?

How would current reporting and tax payment be carried out? On a monthly basis? Quarterly basis?

11. Effect on Structure of Other Taxes

What effect would a change in the corporate tax as a consequence of a partial shift to value-added taxation have on other parts of the tax system, such as the tax on capital gains of individuals?

TREASURY DEPARTMENT
Washington

FOR RELEASE UPON DELIVERY --
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MONDAY, APRIL 4, 1966

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE A COMMONWEALTH CLUB OF CALIFORNIA LUNCHEON
AT THE SHERATON PALACE HOTEL, SAN FRANCISCO, CALIFORNIA
MONDAY, APRIL 4, 1966, 12:30 P.M., PST

In this city of such cosmopolitan concerns, of such views and vistas to dazzle and delight the eye, the mind's eye, also, takes on new and broader perspectives and ranges beyond the immediate landscape to farther horizons.

Therefore, I do not come here today to dwell upon the more immediate features of the current economic scene, or to discuss the one economic question uppermost in the minds of the majority of Americans -- whether and when we will need or have national tax increases. The various views on that question, and on the current condition of our economy, have been fully aired in recent weeks.

And the President has repeatedly made his position most clear. As he remarked less than three weeks ago, when he signed the Tax Adjustment Act of 1966 -- and I quote:

> "I can make no prediction here today on the need for additional taxes later this year. No one can make that prediction, because no one knows what the future holds. But you may be assured that this Administration stands ready to act when action is needed -- if it is needed. I am certain that the Congress stands ready to respond in the same manner.
>
> "In the meantime, there is work and duty ahead for all of us -- to discipline ourselves and our actions -- to be prudent, to be as wise as we can -- so that what we have worked so hard to build will last and prosper."

So today, in this city of such broad interests and great vistas, I would like to take the current economic discussion out of the narrow confines in which it is commonly circumscribed and to place it in a broader perspective.

Indeed, I am convinced that our success in answering the questions immediately before us will directly depend upon how we answer some far more comprehensive questions -- questions concerning our economic and social and political goals here at home as well as our goals in the world at large.

To begin with, I am convinced that any decision on how best to safeguard and sustain our current expansion must rest upon our clear understanding of how it began and how it grew.

The current expansion, as you know, had its beginnings in early 1961, when the economy was emerging from our fourth post-war recession. Unemployment was intolerably high. Business investment had for years failed to maintain anything like adequate levels of growth -- and remained 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 balance of payments deficits -- averaging more than $3½ billion a year for three years -- rendered the dollar vulnerable and threatened the international monetary system which it supported.

To be sure, prices had remained relatively stable since 1958 -- but this stability was a part and a product, not of a pattern of positive and productive growth, but of a pattern of anemic and inadequate growth that had shown itself exceedingly susceptible to recession. It was, in short, a price stability purchased at the expense of our goals of full employment and adequate economic growth -- and associated with severe deficits in our international balance of payments.

Our effort and our aim was to preserve that price stability, while at the same time pursuing our other major economic goals of strong and sustainable economic growth, of full employment and of relative equilibrium in our international balance of payments. We sought to fashion and follow a mix of economic policies that would enable us to move ahead simultaneously toward each of these four goals.

Our view then, and our view now, is that our economic policy mix must be both flexible in method and firm in purpose -- that it must enable us to pursue simultaneously our four major economic goals through changing economic circumstances. We rejected then, and reject now, the view that these goals are inherently incompatible and that to secure one or two of them requires that we sacrifice the others.

We recognized then, as we do now, that conflicts between these goals can arise -- that inevitably there comes a point where it is difficult to pursue full employment and price stability at one and at the same time, when success on the one front seems to involve falling back or slowing down on the other.

And that is precisely why, at the beginning of this expansion, our first fiscal measures -- the 7 percent investment credit and the depreciation reform of 1962 -- centered upon encouraging productive new business investment -- the kind of investment that would mean not only more jobs and greater economic growth, but the greater productivity and lower costs so essential to continued price stability and to progress in our balance of payments.

We accompanied these measures with pioneering new efforts to train and retrain unskilled and semi-skilled workers -- thus helping to make them more employable and more productive. For we were, from the very beginning, fully aware that we would reach a point when growing demand alone could not continue to make inroads upon unemployment without undermining our productive efficiency or exerting a strain upon our prices. And as a result of our programs over the past five years -- beginning with the landmark Manpower Development and Training Act of 1962 -- we now have underway the most massive effort ever undertaken to attack the problem of structural unemployment.

At the same time that we employed these dual measures -- aimed specifically at insuring both greater growth and greater productivity in both business investment and employment -- we adopted a dual approach on the overall economic level as well. Through massive and across-the-board income tax reductions we sought to increase the general level of demand in the private economy -- while through the wage-price guideposts of the President's Council of Economic Advisers we sought, within the context of our free enterprise system, to encourage voluntary wage-price restraint, so that measures for growing productivity and for growing aggregate demand would result in both rapid and real economic growth.

And today, when there are those who would have us abandon the wage-price guideposts, I think we ought to have no misunderstanding of how well we have done under those guideposts.

During the five years from 1961 to 1965 -- nearly all of which were covered by the guideposts -- corporate profits after taxes rose more than 65 percent from $27.2 billion to $44.5 billion. In the previous five-year period -- 1956-1960 -- when we had no guideposts, corporate profits after taxes fell by 2 percent from $27.2 billion to $26.7 billion.

In the five years before the guideposts, employee compensation rose from $243 billion to $294 billion, or about 20 percent -- while during the five-year guidepost period the risi was from $303 billion to $392 billion, or about 30 percent.

What is most remarkable is the behavior of prices. During the five years before the guideposts -- years when unemployment and unused plant capacity were generally growing -- the Consumer Price Index rose by about 9 percent, while during the five years of the guideposts -- years when the level of unemployment and unused capacity was falling -- prices rose by only about three-fifths as much, or by 5½ percent.

As a result, price rises cancelled out almost half of the rise in employee compensation in the 1956-1960 period -- 9 percent of the 21 percent rise -- so that, in real terms, employee compensation went up by only about 11 percent. In the 1961-1965 period, on the other hand, the rise in employee compensation greatly exceeded the consumer price rise so that in real terms employee compensation rose by more then 20 percent.

In the past five years, therefore, when we have had the guideposts, real employee compensation has grown twice as much as it did during the previous five years when we had no guideposts.

What these comparisons make vividly clear is the fact that the wage-price guideposts -- or something like them -- must occupy an important place in any successful effort to secure real growth in the economic abundance in which we all share.

And so, over the past five years, we have followed what I have outlined as a dual approach on dual dimensions to move us ahead simultaneously toward multiple economic goals -- complemented by a similarly dual approach in monetary policy aimed at insuring an adequate availability of money and credit for domestic needs while helping our balance of payments efforts by maintaining short-term interest rates at levels comparable to those abroad.

As a result of these efforts, in 1965 we were closer than at any time in our history to the simultaneous achievement of our four paramount goals: strong and stable economic growth, full employment, reasonable price stability and equilibrium in our international balance of payments.

Indeed, I think we sometimes fail to grasp exactly how immense our achievement has been -- and what a great and exciting challenge we face -- a challenge that ought to call forth our most determined and confident response instead of awakening, as it often seems to, a host of self-doubts and uncertainties and fears.

No great and free nation in the history of mankind has ever come so close to achieving both full employment and rapid economic growth in a context of reasonable price stability and international payments equilibrium.

The question before us is how shall we seek to accomplish what no other Free nation has succeeded in doing -- but what all have dreamed of doing? Shall we build upon the policies that have brought us so close to our goals? -- or shall we revert to policies of the more distant past that would have us achieve one or two of our economic goals at the expense of the others -- that would, for example, have us accept a higher rate of unemployment and a lower rate of economic growth for the sake of price stability and balance in our international payments, or that would have us forego our efforts for price stability and balance of payments equilibrium for the sake of full employment and greater economic growth?

To ask these questions is to answer them -- not only in the perspective of our own past experience, but in the even broader and more revealing perspective of our experience in relation to that of the other major countries of the Free World.

In the concluding half-decade of the Fifties, our economy grew at a real annual rate of only 2.3 percent -- far lower than that of virtually all other major countries. In the half-decade just ended, our real growth rate rose to 4.5 percent -- an immense improvement. And last year our real national output grew by 5.5 percent -- and as a result we surged ahead of every other major country in the world, except Canada.

That surge in real output reflected one of our most impressive achievements over the last half decade -- a record of price stability unequalled by any other major country in the world -- a record surpassed by no other industrial nation and by only three other small countries -- Guatemala, El Salvador and Venezuela.

Let me cite one particularly instructive comparison, with France which has had some success recently in reducing the rate of increase in its consumer price level. In the last half-decade of the Fifties the cost of living in France rose at a compound annual rate of more than 6 percent, and in the first half-decade of the Sixties, at an annual rate verging upon 4 percent -- about three times our rate in both cases. Last year, however, France reduced that rate to a little under 2½ percent, while ours rose slightly to near 2 percent -- still substantially below that of France. But France achieved that reduction in prices from nearly 4 percent to a little under 2½ percent only by cutting almost in half its real annual growth rate -- its growth rate corrected for price increases -- compared to its record over the 1960-1964 period.

That is the bargain that we have refused to make over the past five years and that we refuse to make now -- the bargain that would have us trade away jobs and growth for the sake of a price stability that without jobs and growth is an empty accomplishment.

Our task today, therefore, is the same as it has been for the past five years: to sustain our progress toward four major economic goals. But today, as you know, that task has been made both more difficult and more delicate by the added demands of the Vietnam conflict upon an economy closer to full employment and full utilization of productive capacity than at any time in recent years.

The entrance of Vietnam into our economic picture -- while its real economic impact has been exaggerated and confused with the entirely different Korean War situation -- nonetheless has both introduced a large element of uncertainty and increased the danger that in sustaining our rapid rate of growth and further reducing our unemployment rate we will sacrifice some measure, at least, of price stability and hinder our progress towards balance of payments equilibrium.

We are fully aware of this danger -- but we are also fully convinced that we can better avert it, without damage to our economic objectives other than price stability, if all of us exercise our clear responsibilities for restraint, for moderation and for calmness.

We fully recognize that both monetary and fiscal policy exercised by public authority have important roles to play in containing an economy that threatens to become excessively exuberant. And both fiscal and monetary policy have been shifted from a direction of steady stimulus to aggregate economic demand to one of moderate restraint.

But in shifting from a policy of stimulus to one of restraint we must remain equally aware of the opposite danger -- that the cumulative total of monetary and fiscal restraints and their timing must be designed to avoid an economic overkill that risks a loss of momentum.

The right principle seems to be to apply policies of either stimulus or restraint in moderation or in stages, except in direst emergency. We were not for pressing the accelerator down to the floor in the expansionary period of the first five years of this decade, thereby risking an unsustainable boom. Neither will we now slam on the brakes so suddenly as to skid into a recession or cause our economic motor to stall.

Our fiscal program -- as outlined in President Johnson's Budget and Economic Report presented earlier this year -- took into account and served as a complement to the restraining influence of the earlier Federal Reserve Board action in December, and the enactment last year of additional Social Security and Medicare taxes which took effect this January and will reduce private purchasing power at a rate of $6 billion per year.

And, as I have indicated earlier, while this combination is having its full total effect for the first time this Spring, we are standing ready to take additional fiscal action if it proves necessary.

The current outlook is for a fiscal 1967 budget that, despite a projected increase of $10.5 billion of special Vietnam expenditures over and above those in the 1965 budget, will show a surplus on a cash basis and closely approach balance on a national income accounts and regular or administrative basis. This will be a meaningful, if moderate, shift from the larger deficits in fiscal 1966.

We are taking all the fiscal dividends flowing from our rapid economic growth -- the higher revenues that a growing economy would automatically produce under existing tax rates -- and using them to meet the increased requirements of the Vietnam struggle. We estimate that these dividends will amount to $7½ billion in fiscal 1967 -- and, had it not been for the increased requirements of Vietnam, these dividends would have enabled us to balance the budget in fiscal 1967 and still afford some increases in civilian expenditures or some additional tax reduction or some retirement of the national debt.

And a few weeks ago, President Johnson signed the Tax Adjustment Act of 1966 -- a measure that will raise some $6 billion in Federal revenues over the next 14 months, and withdraw a total of $2.7 billion from the private spending stream during calendar 1966.

But fiscal and monetary policy alone simply cannot bear the whole burden. Indeed, they will fail unless our businesses and our unions carry their full burden of responsibility for avoiding inflationary wage and price rises

The urgent need for responsible restraint in the private sector if public policies designed to achieve both a dynamic economy and price stability are to succeed has rarely been put more clearly or cogently than in the following statement by President Eisenhower in his 1957 Economic Report to the Congress:

> "the events of the year showed, however, that when production and employment are high, wage and price increases in important industries can create upward pressures on costs and prices generally, and that the monetary and fiscal policies of Government must be supported by appropriate private policies to assure both a high level of economic activity and stable prices."

That observation could scarcely be more timely -- indeed, few experiences bear more timely recollection than the way in which, in 1957 our last major lengthy expansion turned into recession -- and interrupted our progress toward our economic goals -- as we tried to fight inflation by fiscal and monetary policies while inflation fed upon the failure of labor and management to exercise responsible restraint in determining wages and prices.

Let those who reject the wage-price guideposts -- let those who seem to suggest that the private sector bears no responsibility for exercising restraint in wages and prices -- let those who have ecclesiastical or perhaps, political objections to the guideposts -- let them reflect upon the experience of 1957 -- let them explain it, let them defend it, let them try to assure us it cannot happen again, or let me propose a better means of assuring both price stability, full employment, and a high and profitable rate of utilization of capacity in the context of a free enterprise economy.

These, then, in broad outline, are some of the perspectives within which we must seek the answer over the next few months to some of the pressing economic questions immediately before us.

But these are not the only perspectives. For today, as in all the years since the beginning of World War II, all that we do here at home must reflect the heavy responsibilities we bear for leadership in the Free World.

None of us underestimates the gravity of those responsibilities, for each of us understands that the way in which the United States exercises its international leadership will do much to determine the future for the world and for succeeding generations of Americans.

The challenges confronting that leadership are many but these surely are three of the most basic:

First, the challenge posed by the Communist commitment to world conquest -- and in particular by the Communist effort to impose their will and extend their influence by outright aggression and by subversion backed by the threat of aggression.

Second, the challenge posed by the collapse of colonialism and the emergence of new nations -- thus far more than fifty in number -- coupled with the growing demands of underprivileged peoples everywhere for full and immediate deliverance from the hunger and the disease and the illiteracy and the grinding poverty that had ruled their lives for centuries.

Third, the challenge posed by the spreading outbreak of excessive nationalism -- most noticeable and understandable in some of the less developed countries, but highly visible as well in some of the world's more developed nations -- that considerably complicates the efforts of nations to work together on a multilateral basis to attack common problems and to achieve common objectives.

To continue to meet these challenges -- with their opportunities as well as their dangers -- will require of ourselves and our allies in the Free World the highest qualities of leadership on two major fronts:

First, leadership in standing firm and united against Communist aggression and subversion with sufficient force and power to deter such efforts and to demonstrate beyond any doubt that they are far too unrewarding and dangerous to be worth the risk.

Second, leadership in assisting on a multilateral basis the new nations in their struggle to achieve both essential stability and sufficient progress toward meeting the rising needs and demands of their people.

On both of these fronts -- over a period of two decades and under the leadership of four Presidents -- ours is a record of the most unrelenting effort and the most enduring accomplishment toward the preservation of peace, the protection of freedom and the promotion of human rights and human welfare.

Indeed, in meeting the great challenges of our times, we have not been found wanting. Never in the memory of man has any nation done so much and at such great cost, not to gain dominion over the lives or the resources or the territory of others, but to help others gain full and free dominion over their own destinies.

We look back over the past two decades and ask -- is it all worth the cost? Is it worth it to devote a portion of our human and material resources to the military effort required for the promotion and preservation of peace and freedom and a world in which tyranny cannot be imposed by aggression from without or subversion from within? Is it worth it to devote a share of our resources to help shape a world that will day by day witness nations, new and old, beat back the tides of hunger and disease and illiteracy in a climate of economic and social progress and of political freedom and order?

To ask these questions today is to answer them -- as we have for two long decades under four great Presidents -- in the clear and unqualified affirmative, for that is the only answer a truly great nation can give that bears the burden of Free World leadership in an interdependent world.

We must, therefore, continue to yield to no nation in the patient pursuit of peace and the works of peace -- and continue to demonstrate, as we do in Vietnam, that we have the will and the weapons to wage war, if wage war we must to defend our own freedom and the freedom of our fellowman.

We must be willing to bear the burdens and accept the uncertainties that come with such a war as we fight in Vietnam. For Vietnam is a war of wills as well as a war of weapons. It is a test of our willingness to survive -- to surmount -- the strain of constant, continual conflict whose end is never clearly in sight.

And we must continue -- together with other developed nations of the Free World -- to carry our share of the burden of leadership in the common task of helping the developing nations of the world to realize their destiny and enrich the lives of their people in dignity and freedom.

In all these ways, and more, we must continue in company with other like-minded nations to lead the way in helping better the world we share with all.

But in so doing we must recognize that, in the final analysis, our ability to discharge our responsibilities of Free World leadership will depend on how we act at home -- in maintaining a strong and dynamic economy -- in pursuing vigilantly our national economic goals of full employment, a healthy rate of growth, reasonable price stability and a balance in our international payments -- in extending always for our own citizens the boundaries of economic opportunity and social justice.

Today, therefore -- both in our affairs at home and in the world at large -- we as a nation and as individual citizens have a great many responsibilities to bear -- responsibilities that we bear with pride and with confidence.

Whether it be by following the path of responsible restraint laid out for our businesses and unions in the wage-price guideposts -- or by moderating our private spending and borrowing demands and supporting the Savings Bonds program -- or by postponing wherever possible travel abroad and substituting travel in this country instead -- whether it be in these or in countless other ways, we all have a very great part to play in keeping America sound and strong at home and abroad.

And how well we all accept our responsibilities will have a great deal to do with how successful we are in meeting the great challenges before us, at home and abroad, in the months ahead.

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TREASURY DEPARTMENT
Washington

FOR RELEASE: UPON DELIVERY

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE A DINNER MEETING OF THE NORTHERN CALIFORNIA
INDUSTRIAL PAYROLL SAVINGS COMMITTEE
AT THE FAIRMONT HOTEL, SAN FRANCISCO, CALIFORNIA
MONDAY, APRIL 4, 1966, 8:00 P.M., PST

I am indeed happy to have this opportunity to publicly recognize and commend the 1965 efforts and accomplishments by your committee in Northern California -- and to give you every encouragement I can toward the achievement of the goals that you have set for 1966.

I am informed that last year you attained 97 percent of your dollar sales goal and that you reached 150 percent of your new-saver quota. That is a splendid record -- and I know that, with the added incentive afforded by the higher Savings Bonds interest rate of 4.15 percent recently announced by President Johnson, you will do all you can to surpass it this year.

There are, at this head table and in this audience, some of those who are largely responsible for the leadership that resulted in the high company participation you achieved last year -- participation ranging from better than 50 percent to over 80 percent.

There are Carl Lindeman of Pacific Telephone and Telegraph; Bill Breuner of the John Breuner Company; Reed Hunt of Crown Zellerbach; Edgar Kaiser of Kaiser Industries Corporation and many more to whom we owe so much for the great service they have rendered to their country.

Statewide, there is encouraging news that Governor Brown has launched the 1966 Payroll Savings drive with 132,000 state employees; that 25th Anniversary resolutions have been adopted by the California State Assembly and Senate; that "Minute Men Flags" were presented to the Coast Guard Base in Alameda and to the headquarters of the Sixth U.S. Army at the Presidio of San Francisco for 100 percent and 94 percent payroll participation, respectively; that campaigns with 133 Federal agencies, employing over 126,000 civilians, were initiated on March 10 at a Federal Executive Board meeting at Hamilton Air Force Base.

With Jim Hait of FMC Corporation as your Industry Chairman and Paul Hoover of Crocker-Citizens as State Chairman for Savings Bonds, and with the strength and stature of Bay Area business, industry and financial influence so abundantly represented here tonight, your campaign is off to a full-powered head-start.

You have a 25th Anniversary goal of $136,600,000 and a quota of 35,700 new payroll savers. Your success in reaching your goal and your quota -- indeed, in surpassing them -- is today more imperative than ever.

I am happy to report that throughout the nation the Savings Bond program is moving forward with new impetus, as the higher interest rate of 4.15 percent on Savings Bonds, recently announced by President Johnson, is already making its impact on the Payroll Savings Plan throughout industry.

Specifically, more top managements are committed to activating the plan; many more employees are becoming aware of its values; increased allotments are being reported by those already participating in the plan.

With Lynn A. Townsend, President of Chrylser Corporation as its Chairman, the U.S. Industrial Payroll Savings Committee has a "Business Bondwagon" rolling throughout the major centers of American industry. Its goal is 1,200,000 new Payroll Savers in 1966 which, of course, is the Silver Anniversary year of Savings Bonds -- making a quarter-century of vital service to the economy.

And, incidentally, President Johnson has launched a government-wide Payroll Savings Bonds drive that promises to break, by a wide margin, all previous records of federal employee participation since World War II.

The Treasury Department first issued Series E Defense Bonds in May 1941, although the United States had not yet entered World War II.

After the United States entered the war, American industry was called upon to encourage employees to buy E Bonds through automatic payroll deductions.

The payroll method of saving became one of the mose successful features of the War Bond Drive and has contributed significantly to the $150 billion worth of Savings Bonds sold since 1941.

In 1963, Secretary of the Treasury Douglas Dillon called a team of top businessmen to Washington to organize a peace-time version of the bond sales effort so sucessful during the war.

Out of that meeting emerged the U.S. Industrial Payroll Savings Committee. Its first chairman was Harold S. Geneen, President of International Telephone and Telegraph Corporation. Later Chairmen were Frank R. Milliken, President of Kennecott Copper Corporation, and Dr. Elmer W. Engstrom, Chief Executive Officer of Radio Corporation of America.

Under the leadership of men like these the Savings Bonds program has become the important force for financial stability that it is today both for so many of our individual citizens and for our economy as a whole.

This year, as you know, the Savings Bonds program is more important to our economic stability than ever.

Its importance was underscored by President Johnson's announcement of the new higher rate on Savings Bonds. While it will take some few months yet to determine the full extent of the effect of that new higher interest rate on Payroll Savings totals -- since many of the corporate campaigns are just getting underway -- early indications are that its effect will be substantial.

If present sales report figures hold true, we will be able to announce the highest sales total for Series E Savings Bonds, in March, since 1956, or during the past ten years. Also, it is significant to note that the sales of Series H Bonds, during March, shows a sizeable increase over the same month during the previous two years. Undoubtedly, this appreciable increase reflects in the Savings Bonds interest rate. This new rate, therefore, should serve as an important incentive in the efforts of all of us who are concerned with making the 25th Anniversary year one of the most productive during the quarter-century progess of the program.

Today, we are at a point where maximum savings are again vital to our national welfare and to our national future. A successful Savings Bond program is of particular urgency at this time, not only to support our fighting men in Vietnam and our commitment to the defense of freedom throughout the world, but to strengthen our economy at home and to guard against the forces of inflation.

The regular investment in Savings Bonds, through the Payroll Plan, helps to preserve the buying power of our American dollars. In the words of President Johnson, "I believe that Savings Bonds are the most important investment that any American can make."

In the days and months to come, all of us -- in government, in banking and finance, in industry and commerce -- must share and bear an extra burden of responsibility in maintaining a steady economic footing while we continue to move ahead.

Now, more than ever before, it is essential that we finance our debt without inflation; that we do all that we can to encourage greater savings throughout our economy. Participation in the Savings Bond program is a measurable and effective means of accomplishing both.

Every dollar that goes into United States savings bonds does double duty in the fight against inflation -- for it not only diminishes the private spending stream but strengthens our ability to finance our national debt in a noninflationary manner. At the same time, the savings bonds program -- and the payroll savings plan in particular -- help all who participate to enhance their own personal financial well-being and establish the sound financial habit of systematic savings.

The Savings Bonds program is one way -- and an important way -- in which you, and all Americans, can demonstrate that in deed as in ideal, in performance as in promise, we are a nation of greatness -- a nation willing and worthy to bear the responsibilities for leadership in an interdependent world.

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TREASURY DEPARTMENT
Washington

FOR RELEASE 1:00 P.M. EST
TUESDAY, APRIL 5, 1966

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE THE ANNUAL MEETING OF THE
ASSOCIATION OF RESERVE CITY BANKERS
AT THE BILTMORE HOTEL, PHOENIX, ARIZONA
TUESDAY, APRIL 5, 1966, 11:00 A.M., MST

In reviewing economic trends and prospects with you today, I would like to start on the international side, which has come into increasing prominence among the areas that most concern economic policy. To start with, the United States experienced a substantial improvement in its balance of payments last year.

Thanks in good measure to the outstanding cooperation of banks and other financial institutions, the deficit was reduced by $1.5 billion, and totaled, for 1965 as a whole, $1.3 billion on an over-all or liquidity, accounting basis. This was the smallest balance of payments deficit since 1957 -- less than half the $3 billion average deficit, on the same accounting basis, for the seven preceding years, 1958 through 1964.

Banks made a major contribution to the improvement in our balance of payments last year -- by holding their net expansion of foreign credit to $155 million.

Further evidence of this continued cooperation came last week when the Federal Reserve Board reported that banks, in the first two months of 1966, reduced their outstanding foreign loans and investments by $385 million.

We do not yet have before us any new estimate of the balance of payments outlook for this year. The assessment we made in November and again in mid-February of the prospects for reaching our goal of equilibrium remains, by and large, our assessment today.

Late last year and again in February, I noted the particular difficulties this year in assessing the balance of payments prospects, because of the uncertainties regarding the cost of our commitments in Southeast Asia, both in the sense of our direct spending and the indirect effects on our trade balance by reason of its impact on our domestic economy.

The burgeoning of the U. S. economy, beyond our expectations of last November, may mean enlarged imports and less allocation of effort to increasing our exports. And the American tourist seems to be winging to Western Europe in ever greater numbers, magnifying a net travel deficit that in 1965 was 133 percent of the total deficit as compared to 33 percent in 1960.

But plus factors are the hoped for absence of some of the factors which in 1965 pulled down our trade surplus from previous years.

These factors which contributed to a reduction of our 1965 trade surplus included:

-- Economic expansion was at a reduced rate last year in Western Europe and Japan. This was probably the main factor in holding our exports for the year to an increase of less than 4 percent, compared to increases in the previous four years averaging about 7 percent. During the year, business conditions improved abroad, and our sales abroad rose in the third and the fourth quarters. A continuation of this trend would improve our trade picture in 1966.

-- Traders anticipating a dock workers strike that did indeed occur in early 1965 pushed out about $160 million of exports late in 1964 that normally would have gone out in the first quarter of 1965, while they similarly hastened imports by some $60 million.

-- Steel users, anticipating a steel strike that did not come to pass, made exceptional steel imports in 1965 estimated at some $300 million.

-- Agricultural exports were at the low annual rate of $5.9 billion in the first half of 1965, but recovered during the last half, reaching an annual rate of $6.75 billion in the last quarter of 1965.

In assessing future prospects for our balance of payments we should ever be mindful of President Johnson's statement at the Annual Meeting of the International Monetary Fund and World Bank last October:

> "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."

Looking ahead, I would like to be able to suggest some magic date for the termination of the voluntary balance of payments restraints. But I cannot do so. We are not likely to be able to terminate this program so long as hostilities in South Vietnam on the present scale persist.

When that is over, there can be a thorough-going re-examination of all of the factors that throw light on the prospects that the voluntary restraints program could be modified or abandoned without bringing back major deficits in our balance of payments.

Meanwhile, we are moving forward to improve the international monetary situation, by arranging for new sources of liquidity to finance growing international trade in the absence of dollar deficits.

Last July I suggested that the time had come to move ahead from technical study to the negotiating table. This was becoming increasingly evident as our own balance of payments improved and reduced the supply of dollars which had been augmenting the reserves of foreign countries for a number of years.

Between 1958 and 1964, deficits in the U.S. balance of payments were the source of about three-quarters of the new reserves accumulated by the rest of the world.

If the growth of monetary reserves of the free world were to depend solely on additions to monetary gold, which recently have run no more than $500 million yearly, then annual reserve increments would not even reach 1 percent. It is clearly time to begin planning the means to supplement gold with the deliberate, careful creation of additional reserves as needed.

Since last July, we have been moving ahead. In September, following a series of bilateral talks I had with financial officials of a number of other countries, the new negotiating machinery was established in Washington at the time of the Annual Meeting of the IMF. The Finance Ministers of the Group of Ten leading industrial countries who have been working together on monetary problems since 1962 met in Washington at that time.

As the first phase of contingency planning, they instructed their Deputies to seek a basis of agreement on the improvements needed in the international monetary system, including arrangements for the future creation of reserve assets. It was further provided that once a basis for agreement on essential points was reached, it would be necessary to proceed from this first phase to a second phase, involving a much larger group of countries. This was to permit broad consideration of the questions that affect the world economy as a whole.

At the same time, the Managing Director of the IMF, who participates in the ministerial meetings of the Group of Ten, indicated that the Fund would pursue its own investigation of the ways and means of creating international reserves.

Since then, negotiations have been pursued actively. The Deputies are proceeding to draft their report to the Ministers, which we hope and expect will show considerable progress towards a consensus on the essential features of an international system for creating reserves.

Broadly speaking, there are three main approaches to reserve creation.

The first would modify and adapt the present system of drawing rights in the IMF, extending, within prescribed limits, virtually automatic drawing rights to be treated as reserves.

The second major approach is built on a composite reserve unit, directly transferable among participating countries. Such a unit would be well suited for holdings of reserves by relatively advanced countries and would be attractive to them. Supplementary arrangements could be made to provide equivalent resources to other countries. Reserve units, being clearly recognizable as a new element in the monetary system,might be more effective than drawing rights in demonstrating that the world is no longer exclusively dependent upon gold and reserve currencies.

The third broad approach is simply a combination of these two -- drawing rights and reserve units. Through drawing rights the monetary system would retain the benefits of familiarity, Fund supervision, and adaptability to use by all qualifying members of the Fund. At the same time, incorporation of reserve units would lay the foundation for more far-reaching innovation. The tentative United States proposals, presented recently in the Group of Ten negotiations, fall into the third, or dual, approach.

With any of these approaches, there are a number of important questions.

One important question is the "link to gold" and alternative means for insuring acceptability of a new reserve unit. Clearly, the status of any reserve asset depends upon its acceptability. The "link to gold" refers to proposals that would permit reserve units to be transferred in international settlement only when accompanied by some specific amount of gold. In effect, the reserve unit would not be usable on its own as an independent reserve asset.

The purpose of such a link is psychological, appealing to the point of view which stresses gold rather than other forms of reserves. The link to gold might also reinforce the tendency to hold newly created reserves rather than spend them.

At the same time, reserve creation aims to supplement future new gold supplies, and to dampen excessive preoccupation with gold on the part of private hoarders or even monetary authorities. Many doubts have been raised as to whether the link to gold would further these objectives. If such a link encouraged larger reserve holdings of gold, this would have the doubly bad effect of shrinking world liquidity and promoting an inefficient and destabilizing outflow of gold from the reserve centers.

In our view a new reserve asset should supplement and not displace existing reserves. While existing amounts of official holdings of reserve currencies are not necessarily ideal, the use of new reserve assets merely to replace existing reserves would make no positive contribution and would risk disturbing international financial markets.

A meeting of minds must also be found on the process for deciding how fast reserves should grow. Countries well supplied with reserves may take a more cautious view than others who see their long-run objective as one of building up reserves.

I have sketched only two of the challenging questions on which our negotiators are searching for common ground in this new area. For it should be stressed that the deliberate creation of new reserve assets is a significant development in monetary history. Reserves have developed in the past not by conscious design, but through central bank accumulation of high quality financial assets, with assured liquidity and broad international acceptance. Countries have earned their reserves either by producing gold or by surpluses in their balance of payments.

The present negotiations to agree on planned reserve creation attest to the imagination, patience, and sense of responsibility of the nations concerned. This stage has been made possible by the past years of monetary cooperation through the IMF, the Group of Ten and the Bank for International Settlements. It is not surprising that countries approach this subject with utmost care and deliberation, for they are shaping the principles and procedures that may guide international financial developments for many years to come.

We expect the Group of Ten Deputies to complete the report on their areas of agreement that can be made available to the Ministers and Governors of the Group of Ten countries before the summer of this year. Once sufficient agreement is reached on major points, it will be productive to move on to the next stage of reaching agreement among the broader group of countries. This work must progress if world trade and world economic development are not to be impeded for want of adequate monetary machinery.

In striving to reach balance in our international payments and in seeking with other nations to strengthen the international payments machinery, we recognize that maintaining a balance in our own economy here at home is fundamental.

Indeed, this is true of all the other challenging areas of international initiative, in addition to international monetary affairs, in which our leadership and participation is vital.

And we are taking the initiative this year, as last, to seek assiduously in both quiet and public diplomacy to enlist the cooperation of like-minded nations in bold new efforts.

These efforts encompass the promotion of freer trade by both achieving a significant reduction of duties on a reciprocal basis and removing nontariff barriers. These efforts include new initiatives to make available to needy peoples elsewhere in the world the opportunity, means and incentive for conquering hunger and disease, for living under the liberating light of education, and for developing their own resources.

Last week President Johnson and Prime Minister Gandhi of India set in motion joint government programs in which we hope other nations, private foundations and private industry will share. This multilateral effort is of crucial importance to the viability and progress of a great nation of five hundred million people -- the second most populous in the world -- and a bulwark o. democracy in threatened Asia.

The tragedy of mass starvation must be averted as better agricultural techniques and organizations for production and distribution are set in motion. The Indo-American Foundation for Education and Scientific Research is a fitting complement. An undernourished nation or one lacking in adequate skills in this technological age cannot play the role destiny has shaped for it in Asia and the Free World.

Of particular interest to bankers, and with meaningful support from organizations such as the American Bankers Association, the United States is joining thirty-one other nations -- including twelve nations outside Asia -- in creating this year the Asian Development Bank. This institution is to be chartered and managed on the sound banking principles developed and applied by the World Bank and similar institutions. It seeks to extend to the people of Asia the opportunity to share in the economic abundance and social progress that so many of us in the rest of the world take for granted.

Nineteen sixty-six is a year in which we hope international financial cooperation will succeed in reducing the inadequacies and obstacles existing in private capital markets in Western Europe. We are hopeful that the slowly progressing studies under the aegis of the Organization for Economic Cooperation and Development will come to fruition this year in some positive programs. We hope these multilateral programs will attack at last major impediments to larger private capital formation and a freer flow of funds and capital at reasonable costs and interest rates.

We hope for the enactment in our own Congress this year of the Foreign Investors Tax Act designed to remove tax discrimination against foreign investment in the United States. It should promote the flow of foreign capital into our own markets and help, over the long pull, to relieve the burden on our balance of payments that results from an inadequate two-way flow.

But, by all odds, the most challenging area of our international activity in 1966 centers in Vietnam.

It is a crucial test. And we cannot afford to fail. If we do, we shall fail ourselves as well as the people of South Vietnam. If we do, we shall have undermined the faith of all whose freedom depends on us. We shall have undermined the web of alliances on which world peace and security depend and we shall have undermined our own faith in ourselves.

We must live up to our commitment to the defense of freedom. At the same time, we must strive to enlarge and explore every avenue for unified action with our allies in the common defense -- for, indeed, to the extent that the allies of freedom cannot unite in its defense, the lesser the chances for peaceful accommodation with those who are so fiercely united against it.

For these reasons neither in Vietnam nor in Paris will we allow foes or friends pursuing nationalist aspirations to push us back in fear or pique to a lack of concern with peace and freedom beyond the two oceans which wash our shores.

All this brings us back to the realization that our ability to discharge our responsibilities for Free World leadership will depend on how we act at home in maintaining a strong and dynamic economy; in sustaining a healthy rate of growth with reasonably full employment and relative price stability; and in extending for our own citizens -- all races, all creeds, and all age groups -- the boundaries of economic opportunity and social justice.

The situation in our economy, as you know, is this: The demands of Vietnam added on to an economy closer to full employment and full utilization of productive capacity than at any time in recent years have increased the dangers of inflation and the need for responsible restraint in both the public and private sectors.

The Administration has shifted from a fiscal policy of steady stimulus to private economic demand to a policy of moderate restraint. We are striving for a fiscal 1967 budget that, despite a projected increase of $10.5 billion of special Vietnam expenditures over and above those in the 1965 budget, will show a surplus on the cash basis and closely approach balance on a national income accounts and the regular or administrative basis.

On the revenue side of the President's budget the shift from a policy of stimulus to one of moderate fiscal restraint has already been reflected by the prompt and commendable action of the Congress in enacting the Tax Adjustment Act of 1966 -- a measure that will raise some $6 billion in Federal revenues over the next fifteen months, and will withdraw a total of $2.7 billion from the private spending stream during calendar 1966.

We expect this measure to serve as a growing force for economic restraint over the coming months -- together with other restraining influences already beginning to take hold, such as the Federal Reserve action a few months ago and the increase in Social Security and Medicare taxes of $6 billion at annual rates which began to take effect last January.

All of these things have contributed to a significant change in the economic mix.

I did not come here today to discuss whether and when we will need additional tax increases. The arguments on that question have been thoroughly aired in recent weeks, and the President has made his position most clear: The time for decision is not yet at hand, but if it comes he will not hesitate -- election year not withstanding -- to ask for tax increases if required.

Evidence of the threat of inflationary pressures is disturbing enough to require that we keep the closest watch on economic and financial developments, exercise all the responsible restraint in both the public and private sectors for which the President has pleaded in the months past, and make ready the way for prompt and prudent action if that is required.

We in the Treasury are continuing our contingency planning in the field of taxation -- not only in terms of possible tax increases to pay for additional public expenditures that may be required beyond those already planned or to forestall inflation, but also in terms of possible tax reductions when and if a relaxation of hostilities in Vietnam will mean a reduction in defense expenditures, or the danger of overheating the economy is no longer present.

In the meantime, now that I have received a great deal of advice, private and public, from many of you in this room and your bank economists who, through their excellent bank letters and public addresses, keep me informed as to your and their views, it seems fair play for me to turn the tables and indulge in a few comments concerning your business. Just as you have a proper concern and give advice on the area in which I operate, I have a very real interest in your business.

For it is important that we understand each other on certain points.

First, I recognize that bank borrowing and lending practices are determined by the banks themselves and the monetary and bank supervisory authorities who receive their powers directly from the Congress and not through the President and, hence, are not subject to policy direction by the Secretary of the Treasury.

Second, as previously described actions have indicated, I believe that fiscal policy should play an active role in both stimulating the economy when it is stagnant or lagging and restraining the economy when it is excessively exuberant. There is always room for differences on when these conditions exist to the degree that public action should be undertaken, what type of fiscal action is the most compatible with the national interest, and the pace or extent to which the economy should either be stimulated or restrained by fiscal action. All of my instincts are that either stimulus or restraint should be applied in moderation or in stages except in the direst emergencies. I was not one for pressing the accelerator down to the floor in the expansionary period of the first five years of this decade. And, as you well know, since the national decision to enlarge our military activities in Vietnam, I have been urging moderate and responsible restraint in both the public and private sector -- preferring to touch the brakes lightly without risking a skid into a recession because I do not believe drastic action is necessary or appropriate.

Third, I have no objection of any kind to using monetary policy as a part of the total economic stabilization arsenal. I have said so repeatedly in responding to inquiries at Congressional hearings.

Fourth, I believe that fiscal and monetary restraints to deal with threats of inflation should work in a coordinated fashion, just as fiscal and monetary policies directed toward expansion have worked together in the past five years.

My objection to the December action of the Federal Reserve System had to do with the fact that I would have preferred to have had that decision delayed until January, until the Administration knew and the Board could know what the budgetary outlook was for the remainder of fiscal 1966 and fiscal 1967, so that we could have decided together what combination of fiscal and monetary restraints were appropriate, if there were room for agreement.

I trust that the coordination which had previously existed between our monetary and our fiscal policies has again been reestablished and that instances of disagreement over procedures and timing will in the future be less important. Certainly, the Administration's acceptance of the Federal Reserve's action in December as a fact of life and its incorporation into our budget planning symbolizes that desire for coordination.

As the subsequent shift of fiscal policy in the President's January budget from stimulus to moderate restraint signified, some shift in monetary policy in the nature of a moderation of credit growth was appropriate.

It is important, however, that such moderation as is needed, particularly of bank credit growth, be accomplished without the skyrocketing of interest rates. Raising the price of money should not -- and need not -- be the only means of determining which applicants get the loans.

When the bigger banks rely only on higher rates as the means for allocating credit among a few large borrowers, this tends to put up the cost of money for everyone.

The better course, in dealing with a credit growth that threatens inflation, is to turn down or scale back the less deserving loan applications.

In this connection, I read with considerable interest, the recent remarks by J. Howard Laeri, Vice Chairman, First National City Bank of New York, at an American Bankers Association meeting in Chicago. He suggested some voluntary lending guidelines for bankers to follow in curbing loans that would contribute to what he termed "current inflationary credit excesses." He called them "Today's Six Deadly Sins of Lending." Make up your own list if you don't like Mr. Laeri's.

Mr. Archie K. Davis, Chairman of the Wachovia Bank and Trust Company, Winston Salem, North Carolina, and the President of the American Bankers Association, also has suggested that it is essential for bankers to weed out less productive and speculative loans.

Banking industry leaders are showing an increasing awareness of the need for making monetary policy effective through their bank lending policies, and are to be commended for moving in this direction.

I would hope, also, that there will be an accompanying disengagement from unreasoning competition for time and savings deposits that ignores the need for caution and the harm that kind of competition can do to our banking and financial system.

Federal debt management also has a role to play in achieving the broad economic objectives which are our mutual concern. This is why, this past February, we took the opportunity while refunding the mid-February maturities, to offer the holders of April, May and August 1966 issues an exchange into a new 4-3/4 year 5 percent note.

This move achieved some useful debt extension and lightened significantly the refunding tasks that await us now in May and August.

In taking a broad view of the Treasury debt structure and its economic impact, it may be of some interest to note that while the total Treasury debt today is some $3 billion greater than a year ago, our last reading showed that Treasury debt in the hands of the public was actually down by $1.5 billion over the year. And for those who sometimes look to Government financial policies as the source of undue monetary expansion, I would remind you that commercial bank holdings of Treasury debt are down by $3 billion in the past year. No doubt this decline in bank holdings has made our financing task a mite more difficult and costly, but it has also provided rather striking evidence that our deficit has been financed with genuine savings accumulations.

In rounding out this picture of debt management, I should say a few words also about Federal agency sales of financial assets.

This type of activity is designed to channel more private investment funds into the Federal credit programs, and avoid locking up scarce budgetary resources in a rising aggregate of direct Federal loans. It carries forward a program that received its first strong impetus in the mid-1950's under the Eisenhower Administration. The principle of substituting private for public credit, and helping thereby to cut new channels of money-flows in the credit markets, was warmly endorsed subsequently by the Commission on Money and Credit, and by President Kennedy's Committee on Federal Credit Programs, which was chaired by my able predecessor, Douglas Dillon.

In seeking to expand this useful area of partnership between private and public enterprise we are well aware that it would be pointless to attempt to press more on the market than it can readily absorb. That is why we are interested in further developing the techniques for amassing pools of direct loans held by Federal agencies and selling participations in those pools to private investors. This provides an effective, economical means for tapping the resources of the private market to serve broad public purposes.

In making these asset sales programs the success they should be, the government needs your help and I am here today to ask for it.

After taking account of net sales of Federally owned financial assets and direct Federal agency issues, and balancing this against the decline in holdings of Treasury obligations in the hands of the public, we would estimate that the Federal sector will make only a modest net demand for credit on the private economy for this fiscal year -- perhaps on the order of two or three billion dollars. More impressive still, according to current plans, we would expect the Federal sector to make little or no net credit demand on the rest of the economy in fiscal 1967.

While we recognize that monetary and fiscal policies exercised by public authority have important roles to play in containing a buoyant economy, these alone are not enough. There also must be responsible restraint in the private sector, in the many day-to-day decisions affecting prices and wages.

We sometimes hear of particular periods of price increase described as "cost-push" or "demand-pull," with particular remedies supposedly appropriate to one situation or the other. We all know, of course, that, in an economy as complex as ours, both "cost-push" and "demand-pull" forces may be at work, and interacting, at the same time. This means that we need both monetary and fiscal restraints and, alongside them, appropriate wage-price guidelines to serve as yardsticks for keeping wage and price decisions within non-inflationary bounds.

Those who would discard the guidelines might do well to consider the alternatives -- in terms of price behavior, economic growth, gold outflow, and maintenance of basic economic freedom.

Incidentally, as an aside to some outspoken bank and academic economists, advice on using monetary and fiscal restraint to contain inflation would carry more conviction in certain quarters if it were accompanied by equally vocal support of wage-price guideposts.

In closing, I want to emphasize a very important part of any anti-inflationary effort -- our Savings Bond program which is moving forward now with new impetus.

Already the higher rate of 4.15 percent, recently announced by President Johnson, is making its impact on the Payroll Savings Plan throughout industry.

Specifically, top management officials of more companies are actively committed to the plan; many more employees are being introduced to its values; increased allotments are being reported by those already participating in the plan.

And, incidentally, President Johnson has launched a government-wide Payroll Savings Bond drive that promises to break by a wide margin all previous records of federal employee participation since World War II.

While it will take some few months yet to determine the effect of the higher interest rate on Payroll Savings totals -- since the government campaign and many of the corporate campaigns are just getting under way -- early indications are that substantial results will be registered.

The bankers of America are our long-time, dedicated allies in the successful promotion of the Savings Bond program.

I commend bankers everywhere for their support of our program in the past and I solicit their encouragement and cooperation for the need and the effort that lie ahead.

In the Savings Bond program, and in every other part of our national effort to maintain steady balanced growth while meeting vital commitments, we must all -- in government, in banking and finance, in industry and commerce -- bear an extra burden of responsibility in the days and months ahead.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

RELEASE 6:30 P.M.,
ay, April 4, 1966.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced that the tenders for two series of Treasury bills, series to be an additional issue of the bills dated January 6, 1966, amd the other es to be dated April 7, 1966, which were offered on March 30, 1966, were opened at Federal Reserve Banks today. Tenders were invited for $1,300,000,000, or thereabouts, 1-day bills and for $1,000,000,000, or thereabouts, of 182-day bills. The details of two series are as follows:

E OF ACCEPTED ETITIVE BIDS:	91-day Treasury bills maturing July 7, 1966		:	182-day Treasury bills maturing October 6, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	98.860 a/	4.510%	:	97.616 b/	4.716%
Low	98.852	4.542%	:	97.613	4.722%
Average	98.855	4.531% 1/	:	97.614	4.719% 1/

a/ Excepting 1 tender of $200,000; b/ Excepting 1 tender of $638,000
26% of the amount of 91-day bills bid for at the low price was accepted
77% 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	$ 40,605,000	$ 28,605,000	:	$ 5,369,000	$ 3,966,000
York	1,463,577,000	827,937,000	:	1,745,668,000	759,004,000
ladelphia	28,150,000	16,150,000	:	13,348,000	4,788,000
veland	29,133,000	29,133,000	:	38,567,000	17,142,000
hmond	14,780,000	14,780,000	:	4,468,000	4,468,000
anta	53,479,000	39,517,000	:	39,448,000	12,423,000
cago	209,600,000	164,726,000	:	244,982,000	60,988,000
Louis	62,750,000	46,528,000	:	35,015,000	12,415,000
neapolis	21,068,000	17,328,000	:	13,901,000	3,151,000
sas City	24,447,000	22,447,000	:	16,200,000	11,055,000
las	25,338,000	17,598,000	:	14,714,000	9,414,000
Francisco	89,821,000	75,727,000	:	268,529,000	102,205,000
TOTALS	$2,062,748,000	$1,300,476,000 c/		$2,440,209,000	$1,001,019,000 d/

ludes $260,951,000 noncompetitive tenders accepted at the average price of 98.855
ludes $129,302,000 noncompetitive tenders accepted at the average price of 97.614
se rates are on a bank discount basis. The equivalent coupon issue yields are
% for the 91-day bills, and 4.90% for the 182-day bills.

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 5, 1966

FOR USE AT 5:15 P.M. EST
TUESDAY, APRIL 5, 1966

UNITED STATES AND COLOMBIA SIGN $12,500,000 EXCHANGE STABILIZATION AGREEMENT

Acting Secretary of the Treasury Joseph W. Barr today signed a $12,500,000 Exchange Stabilization Agreement between the United States, the Government of Colombia, and the Bank of the Republic. The Agreement was signed for Colombia in Bogota on April 4 by the Minister of Finance, Joaquin Vallejo Arbelaez, and the General Manager of the Bank of the Republic, Eduardo Arias Robledo.

The Ambassador of Colombia to the United States, Dr. Eduardo Uribe, witnessed the signing here on behalf of his government.

The Agreement is effective through March 1967. Under it, Colombia may request the United States Exchange Stabilization Fund to purchase Colombian pesos in amounts up to $12,500,000. Any pesos so acquired by the United States Treasury would subsequently be repurchased by Colombia, with United States dollars.

The Agreement will assist Colombia in maintaining orderly conditions in the foreign exchange markets, as part of its program of economic stabilization and growth. It is designed to supplement the resources available under a $36,500,000 stand-by drawing arrangement announced by the International Monetary Fund on December 15, 1965.

The Agreement signed today is part of arrangements for United States Government economic and financial assistance for Colombia in 1966, estimated to total $102,000,000. These arrangements were announced December 20, 1965, on the occasion of the signing of a $65,000,000 program loan of the Agency for International Development.

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STATEMENT OF
THE HONORABLE JOSEPH W. BARR
UNDER SECRETARY OF THE TREASURY
BEFORE THE
SENATE BANKING AND CURRENCY COMMITTEE
APRIL 5, 1966

Mr. Chairman and Members of the Committee:

I appear before you this morning in support of S. 3158, the Financial Institutions Supervisory Act of 1966, introduced by the Chairman of this Committee at the request of the Secretary of the Treasury, the Chairman of the Board of Governors of the Federal Reserve System, the Chairman of the Home Loan Bank Board, and the Chairman of the Board of the Federal Deposit Insurance Corporation. The Administration appreciates very much the prompt consideration of this legislation by this Committee.

You have already heard the testimony of Chairman Horne and will be hearing later this morning from Mr. Randall and Governor Robertson. Therefore, it will not be necessary for me to discuss the specific regulatory responsibilities of the agencies that are supporting this legislation, or to deal with technical features of the legislation. Instead, I will comment in general terms upon the nature of the proposed legislation and the needs which it will serve.

In his Economic Report earlier this year the President recommended Congressional action in several financial areas, of which this is one. At that time, the President stated:

> "Actions to ease unnecessarily restrictive regulations have been taken in the past; they have borne fruit in stronger competition and a more efficient flow of funds from savers to borrowers with the most urgent needs.
>
> "But appropriate regulations are clearly required to protect the safety of savings of American families, to assure the most efficient and equitable regulation of financial institutions, and to create still better channels for the flow of funds to borrowers."

In my opinion, that statement by the President sets out the essential philosophy that should govern our actions in this regulatory area. We have learned, sometimes through bitter experience, that the absence of appropriate and effective regulation can lead to financial excesses. Therefore, we must in many cases make difficult decisions as to the appropriate coverage and scope of financial regulation.

In the case of the present legislation, however, it seems to me that no very difficult decision is involved. This bill does not seek to strengthen the regulatory power in the sense of reaching out into new areas, or providing for harsher penalties. Instead, the proposed legislation is simply designed to fill a gap in the procedures that are already available to protect the savings of American families. The vast majority of our banks and saving and loan associations are soundly managed and operated, and are in excellent financial condition. We must insure, however, that there is no lack of legislative authority to enable the supervisory agencies to deal promptly and effectively with the few problem cases that do arise. We must insure that whenever a banking institution is being operated unsoundly and a bank officer is conducting his affairs improperly, the supervisory agencies are amply equipped to prevent the unsound operation or remove the officer before there are serious consequences to the institution and the community in which it is located.

Ample authority exists today to terminate insurance, to eliminate banks from membership in the Federal Reserve System, to appoint a receiver or conservator, or to remove officers or directors of financial institutions who have continued after warning to violate the law or to engage in unsafe or unsound practices in conducting the business of the institution. These penalties, however, are so drastic on the one hand, and so cumbersome on the other, as to be available for use in only the most severe cases, often after considerable damage has been done. In many cases they are not appropriately used at all. Legislation is needed to give the supervisory authorities the power to require specific corrections, and legislation is also needed to enable supervisory agencies to take action promptly to suspend or remove officers and directors or other persons participating in the management of banking institutions, whose activities threaten to jeopardize financial soundness. The exercise of such powers should, of course, be subject to appropriate procedural safeguards to prevent any possibility of abuse. S. 3158 is designed to meet these needs, and it contains what are considered to be appropriate safeguards.

I should like to emphasize that it is anticipated that the authority contained in this legislation, if granted to the supervisory agencies by the Congress, would be sparingly used. In the first place, while it is important to have the necessary authority in the few cases that do arise, there are very few institutions which are not being conducted in an entirely proper manner. Secondly, it is fully appreciated that the authority which would be granted by this legislation is of such a nature that it should not be lightly used but should be preserved for those few cases in which it is actually necessary to protect an institution or its depositors. Thirdly, the fact that these powers are available will place the supervisory agencies in a stronger position to deal with problem situations by means of the more usual techniques of persuasion, frequent examination, and close supervision.

Financial institutions should not be permitted to fail or to cause loss to their depositors because of dishonest or grossly negligent management, where this can possibly be prevented. The record over the years has been good, but we must make it better. The legislation which we are requesting is designed to provide the Government with the tools which it needs to accomplish this goal.

I urge the prompt enactment of S. 3158.

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 5, 1966

FOR IMMEDIATE RELEASE

ANTIDUMPING PROCEEDING ON PLASTIC CONTAINERS

On January 25, 1966, the Commissioner of Customs received information in proper form pursuant to the provisions of section 14.6(b) of the Customs Regulations indicating a possibility that plastic containers imported from Canada, manufactured by Reliance Products Limited, Winnipeg, Canada, are being, or likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

Available information shows that the primary use is for shipping and storage of electrolyte and other liquid chemicals.

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

The information was submitted by Hedwin Corporation, New York, New York.

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

Imports of the involved merchandise received during the period November 1, 1965, through February 28, 1966, amounted to approximately $25,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 6, 1966

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 $ 2,300,000,000,or thereabouts, for cash and in exchange for Treasury bills maturing April 14,1966, in the amount of $ 2,300,509,000, as follows:

91-day bills (to maturity date) to be issued April 14, 1966, in the amount of $1,300,000,000, or thereabouts, representing an additional amount of bills dated January 13,1966, and to mature July 14,1966, originally issued in the amount of $ 1,000,387,000,the additional and original bills to be freely interchangeable.

182 -day bills, for $ 1,000,000,000, or thereabouts, to be dated April 14,1966, and to mature October 13,1966.

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Monday, April 11,1966. 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 :ustomers provided the names of the customers are set forth in such ;enders. Others than banking institutions will not be permitted to ;ubmit tenders except for their own account. Tenders will be received rithout deposit from incorporated banks and trust companies and from 'esponsible and recognized dealers in investment securities. Tenders rom others must be accompanied by payment of 2 percent of the face mount of Treasury bills applied for, unless the tenders are ccompanied by an express guaranty of payment by an incorporated bank r trust company.

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Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for each issue for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on April 14, 1966, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 14,1966. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

April 7, 1966

FOR RELEASE TO A.M. NEWSPAPERS
FRIDAY, APRIL 8, 1966

JAMES F. KING NAMED ASSISTANT TO THE SECRETARY

Secretary of the Treasury Henry H. Fowler today announced the appointment of James F. King, Head of the National Science Foundation Office of Congressional and Public Affairs, as Assistant to the Secretary for Public Affairs.

Mr. King succeeds Dixon Donnelley, who last month was named Assistant Secretary of State for Public Affairs.

Mr. King has more than 20 years of government service. He has served as Assistant to three Secretaries of the Army and, during the Korean War, he was Deputy Administrator of the Defense Production Administration.

In his new post, Mr. King will direct the Public Information activities of the Treasury Department and all its bureaus. He will assume his new duties April 12.

Mr. King was born in Georgetown, South Carolina, on December 12, 1907. After receiving a B.S. degree in government and economics from Harvard, he worked as a reporter and editor on newspapers in his home state and later for the Baltimore Post, the Baltimore Sun, the Washington Daily News, and the Washington Post.

Mr. King has been with the National Science Foundation since 1963. Before that he served for four years on the staff of the Manufacturing Chemists Association as Assistant to the President for Government Relations.

Before World War II, Mr. King helped to establish the Federal Wage and Hour Administration, serving as Assistant to the Administrator. Immediately after Pearl Harbor he became Executive Officer in the wartime Office of Censorship.

After service with the Office of Price Administration, he went on active duty with the U. S. Navy, serving as Naval Aviation Staff Officer with the Atlantic Fleet. He received the Commendation Ribbon for his service.

Assigned by the Navy to the Foreign Liquidation Commission after the war, he remained as Information Director after his release from active duty.

Before and during the Korean War, he served as Assistant to Secretaries of the Army Kenneth Royall, Gordon Gray, and Frank Pace, Jr. In that period, he helped set up the National Military Establishment unified information organization, serving as its Deputy Director.

He was appointed Deputy Administrator of the Defense Production Administration in 1951, continuing in that post later when Mr. Fowler was named DPA Administrator. He remained with Mr. Fowler when DPA was merged with the Office of Defense Mobilization and Mr. Fowler was appointed Director of that agency.

Mr. King served as an advisor to the Secretary of State at the 1954 Geneva Conference and later as a consultant to the Secretary of Defense. In the latter capacity, he helped coordinate the U. S. Armed Forces People-to-People program in Europe and the Pacific.

He returned to the Office of Defense Mobilization in 1957 as Assistant to ODM Director Gordon Gray. After the merger of ODM with the Federal Civil Defense Administration, he joined the Manufacturing Chemists Association.

He is married to the former Janet Leake of Clinton, outh Carolina. They live at 3801 Lorcom Lane, Arlington. They ave two sons: James, Jr., who is with the U. S. Public Health ervice in Washington, D. C.; and William, a Captain in the . S. Army Special Forces in Germany.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

April 7, 1966

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN MARCH

During March 1966, 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 $38,186,500.00.

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TREASURY DEPARTMENT
Washington

FOR RELEASE: UPON DELIVERY

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE A LUNCHEON MEETING OF THE SOUTHERN CALIFORNIA
INDUSTRIAL PAYROLL SAVINGS COMMITTEE
AT THE AMBASSADOR HOTEL, LOS ANGELES, CALIFORNIA
MONDAY, APRIL 11, 1966, 1:15 P.M., PST

I am indeed happy to have this opportunity to publicly recognize and commend the 1965 efforts and accomplishments by your committee in Southern California -- and to give you every encouragement I can toward the achievement of the goals that you have set for 1966.

I am informed that last year you attained 195 percent of your new saver quota and that you added 141,400 new payroll savers. This is a splendid record -- and I know that, with the added incentive afforded by the higher Savings Bonds interest rate of 4.15 percent recently announced by President Johnson, you will do all you can to surpass it this year.

There are, at this head table and in this audience, some of those who are largely responsible for the leadership that resulted in the high company participation you achieved last year -- participation ranging from better than 50 percent to as high as 99 percent.

There is Dan Haughton, President of Lockheed, whose corporate effort reached the commanding total of 99 percent. There are those Southern California industries which you will find listed in the "Business Bondwagon" folder that you have received at your tables. And there are many more to whom we owe so much in gratitude for the practical patriotism that they have expressed so adequately and so generously.

While those mentioned are among the larger corporations, we must not overlook the outstanding effort by organizations with lesser numbers of employees but whose results have been equally impressive -- such as Aerospace Corporation and the Chrysler Corporation in Southern California.

Statewide, there is encouraging news that Governor Brown has launched the 1966 Payroll Savings drive with 132,000 state employees, and that 25th Anniversary resolutions have been adopted by the California State Assembly and Senate.

With Dr. Mettler of TRW Systems Corporation as your Industry Chairman and R. H. Moulton of The R. H. Moulton Company as State Chairman for Savings Bonds, and with the strength and stature of Los Angeles County business, industry and financial influence so abundantly represented here tonight, your campaign is off to a full-powered head-start.

You have a 25th Anniversary goal of $192 million and a quota of 65,000 new Payroll Savers. Your success in reaching your goal and your quota -- indeed, in surpassing them -- is today more imperative than ever.

I am happy to report that throughout the nation the Savings Bond program is moving forward with new impetus, as the higher interest rate of 4.15 percent on Savings Bonds, recently announced by President Johnson, is already making its impact on the Payroll Savings Plan throughout industry.

Specifically, more top managements are committed to activating the plan; many more employees are becoming aware of its values; increased allotments are being reported by those already participating in the plan.

With Lynn A. Townsend, President of Chrylser Corporation as its Chairman, the U.S. Industrial Payroll Savings Committee has a "Business Bondwagon" rolling throughout the major centers of American industry. Its goal is 1,200,000 new Payroll Savers in 1966 which, of course, is the Silver Anniversary year of Savings Bonds -- making a quarter-century of vital service to the economy.

And, incidentally, President Johnson has launched a government-wide Payroll Savings Bonds drive that promises to break, by a wide margin, all previous records of federal employee participation since World War II.

The Treasury Department first issued Series E Defense Bonds in May 1941, although the United States had not yet entered World War II.

After the United States entered the war, American industry was called upon to encourage employees to buy E Bonds through automatic payroll deductions.

The payroll method of saving became one of the mose successful features of the War Bond Drive and has contributed significantly to the $150 billion worth of Savings Bonds sold since 1941.

In 1963, Secretary of the Treasury Douglas Dillon called a team of top businessmen to Washington to organize a peace-time version of the bond sales effort so sucessful during the war.

Out of that meeting emerged the U.S. Industrial Payroll Savings Committee. Its first chairman was Harold S. Geneen, President of International Telephone and Telegraph Corporation. Later Chairmen were Frank R. Milliken, President of Kennecott Copper Corporation, and Dr. Elmer W. Engstrom, Chief Executive Officer of Radio Corporation of America.

Under the leadership of men like these the Savings Bonds program has become the important force for financial stability that it is today both for so many of our individual citizens and for our economy as a whole.

This year, as you know, the Savings Bonds program is more important to our economic stability than ever.

Its importance was underscored by President Johnson's announcement of the new higher rate on Savings Bonds. While it will take some few months yet to determine the full extent of the effect of that new higher interest rate on Payroll Savings totals -- since many of the corporate campaigns are just getting underway -- early indications are that its effect will be substantial.

Last week we were able to announce the highest sales total for Series E Savings Bonds, in March, since 1949, or during the past seventeen years. Also, it is significant to note that the sales of Series H Bonds, during March, shows a sizeable increase over the same month during the previous four years. Undoubtedly, this appreciable increase reflects in the Savings Bonds interest rate. This new rate, therefore, should serve as an important incentive in the efforts of all of us who are concerned with making the 25th Anniversary year one of the most productive during the quarter-century progess of the program.

Today, we are at a point where maximum savings are again vital to our national welfare and to our national future. A successful Savings Bond program is of particular urgency at this time, not only to support our fighting men in Vietnam and our commitment to the defense of freedom throughout the world, but to strengthen our economy at home and to guard against the forces of inflation.

The regular investment in Savings Bonds, through the Payroll Plan, helps to preserve the buying power of our American dollars. In the words of President Johnson, "I believe that Savings Bonds are the most important investment that any American can make."

In the days and months to come, all of us -- in government, in banking and finance, in industry and commerce -- must share and bear an extra burden of responsibility in maintaining a steady economic footing while we continue to move ahead.

Now, more than ever before, it is essential that we finance our debt without inflation; that we do all that we can to encourage greater savings throughout our economy. Participation in the Savings Bond program is a measurable and effective means of accomplishing both.

Every dollar that goes into United States savings bonds does double duty in the fight against inflation -- for it not only diminishes the private spending stream but strengthens our ability to finance our national debt in a noninflationary manner. At the same time, the savings bonds program -- and the payroll savings plan in particular -- help all who participate to enhance their own personal financial well-being and establish the sound financial habit of systematic savings.

The Savings Bonds program is one way -- and an important way -- in which you, and all Americans, can demonstrate that in deed as in ideal, in performance as in promise, we are a nation of greatness -- a nation willing and worthy to bear the responsibilities for leadership in an interdependent world.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

R RELEASE 6:30 P.M.,
nday, April 11, 1966.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced that the tenders for two series of Treasury ls, one series to be an additional issue of the bills dated January 13, 1966, the other series to be dated April 14, 1966, which were offered on April 6, 6, were opened at the Federal Reserve Banks today. Tenders were invited for 300,000,000, or thereabouts, of 91-day bills and for $1,000,000,000, or thereuts, of 182-day bills. The details of the two series are as follows:

GE OF ACCEPTED PETITIVE BIDS:	91-day Treasury bills maturing July 14, 1966		:	182-day Treasury bills maturing October 13, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	98.839 a/	4.593%	:	97.599	4.749%
Low	98.827	4.640%	:	97.588	4.771%
Average	98.833	4.618% 1/	:	97.592	4.763% 1/

a/ Excepting 1 tender of $35,000
56% of the amount of 91-day bills bid for at the low price was accepted
87% 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:

strict	Applied For	Accepted	:	Applied For	Accepted
ston	$ 36,827,000	$ 26,827,000	:	$ 11,281,000	$ 11,281,000
v York	1,321,666,000	733,086,000	:	1,482,653,000	609,787,000
iladelphia	27,823,000	20,823,000	:	15,012,000	7,012,000
eveland	35,730,000	35,730,000	:	58,719,000	46,789,000
chmond	16,562,000	16,562,000	:	7,051,000	7,051,000
.anta	75,148,000	70,828,000	:	39,483,000	20,433,000
.cago	184,075,000	158,631,000	:	168,388,000	99,738,000
Louis	54,222,000	45,902,000	:	25,908,000	17,187,000
neapolis	17,945,000	17,945,000	:	13,158,000	11,158,000
.sas City	39,116,000	39,116,000	:	15,225,000	15,186,000
las	29,814,000	25,374,000	:	15,229,000	11,099,000
Francisco	112,207,000	110,007,000		232,410,000	143,532,000
OTALS	$1,951,135,000	$1,300,831,000 b/		$2,084,517,000	$1,000,253,000 c/

cludes $303,103,000 noncompetitive tenders accepted at the average price of 98.833
cludes $139,339,000 noncompetitive tenders accepted at the average price of 97.592
ese rates are on a bank discount basis. The equivalent coupon issue yields are 4% for the 91-day bills, and 4.95% for the 182-day bills.

TREASURY DEPARTMENT
Washington

REMARKS BY THE HONORABLE JOSEPH W. BARR
UNDER SECRETARY OF THE TREASURY
BEFORE DINNER-MEETING OF INDIANAPOLIS
INDUSTRIAL PAYROLL SAVINGS COMMITTEE
TUESDAY, APRIL 12, 1966, 8:15 P.M., CST

TWENTY-FIVE YEARS OF SAVING SECURITY

The purpose of our meeting tonight takes on added importance in the light of our current economic climate.

Savings Bonds have always been important -- both to the individual who invests in them and to the economic well-being of the nation -- but they are more important today than ever before. The Savings Bond program has really compiled an impressive record and we in the Treasury are justly proud of that record. No other country has achieved anything like the broad public participation in financing a government that we -- as a direct result of the Savings Bond program -- take largely as a matter of course in the United States.

Tonight, I am happy to say that United States Savings Bonds account for about 23 percent of the publicly-held national debt. These investments in Savings Bonds represent genuine, bona fide, long-term savings.

I am pleased to have such an appropriate occasion to encourage you in the achievement of the goals that you have set for 1966, the Silver Anniversary year of our program.

Our Savings Bond program is moving forward with new impetus. Already the higher rate of 4.15 percent, recently announced by President Johnson, is making its impact on the Payroll Savings Plan throughout industry. Specifically, more top managements are committed to activating the plan; increased allotments are being reported by those already participating in the plan; and many more employees are being exposed to its values.

With Lynn A. Townsend, President of Chrysler Corporation as its Chairman, the U. S. Industrial Payroll Savings Committee has a "Business Bondwagon" rolling throughout the major centers of American industry. Its goal is 1,200,000 new Payroll Savers in 1966.

The Treasury Department first issued Series E Defense Bonds in May, 1941, six months before the United States entered World War Two. After the United States entered the war, American industry was called upon to encourage employees to buy E Bonds through automatic payroll deductions.

As a result, the payroll method of saving became one of the most successful features of the War Bond Drive and has contributed significantly to the $150 billion worth of Savings Bonds sold since 1941.

In 1963, Secretary of the Treasury Douglas Dillon called a team of top businessmen to Washington to organize a peacetime version of the bond sales effort so successful during the war. Out of that meeting emerged the U. S. Industrial Payroll Savings Committee. Its first chairman was Harold S. Geneen, President of International Telephone and Telegraph Corp. Later chairmen were Frank R. Milliken, President of Kennecott Copper Corp., and Dr. Elmer W. Engstrom, Chief Executive Officer of Radio Corporation of America.

While it will take some few months yet to determine the full extent of the effect of the higher interest rate on Payroll Saving totals -- since many of the corporate campaigns are ust getting under way -- early indications are that substantial results will be registered.

Last week we were able to announce the highest sales total or Series E Savings Bonds, in March, since 1949, that is, uring the past 17 years. Also, it is significant to note that he sales of Series H Bonds during March shows a sizable ncrease over the same month during the previous four years.

Undoubtedly, this appreciable increase reflects the effect of the rise in the interest rate on Savings Bonds from 3.75 to 4.15 percent. Unquestionably, this is an important and invigorating incentive to those of you here and to all of us who are concerned with making the 25th Anniversary year one of the most productive during the quarter-century progress of the program.

Today, we are at a point where maximum savings are again vital to our national welfare and to our national future. A successful Savings Bond program is of particular urgency at this time, not only to support our fighting men in Viet Nam and our commitment to the defense of freedom throughout the world, but to strengthen our economy at home and to guard against the forces of inflation.

The regular investment in Savings Bonds, through the Payroll Plan, helps to preserve the buying power of our American dollars. In the words of President Johnson, "I believe that Savings Bonds are the most important investment that any American can make."

In the days and months to come, all of us -- in government, in banking and finance, in industry and commerce -- must bear an extra burden of responsibility in maintaining a steady economic footing while we continue to move ahead.

Now, more than ever before, it is essential that we finance our debt without inflation; that we do all that we can to encourage greater savings throughout our economy. Participation in the Savings Bond program is a measurable and effective means of accomplishing both.

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TREASURY DEPARTMENT
Washington

MMEDIATE RELEASE
EDNESDAY, APRIL 13,1966

F-431

The Bureau of Customs announced today preliminary figures on imports for nsumption of the following commodities from the beginning of the respective iota periods through April 2, 1966:

Commodity	Period and Quantity		Unit of Quantity	Imports as of Apr. 2, 1966
riff-Rate Quotas:				
eam, fresh or sour	Calendar year	1,500,000	Gallon	652,571
ole Milk, fresh or sour ...	Calendar year	3,000,000	Gallon	-
ttle, 700 lbs. or more each (other than dairy cows) ...	Jan. 1, 1966 - Mar. 31, 1966	120,000	Head	29,912
	Apr. 1, 1966 - June 30, 1966	120,000	Head	979
ttle, less than 200 lbs. each	12 mos. from April 1, 1965	200,000	Head	94,589
	12 mos. from April 1, 1966	200,000	Head	1,908
sh, fresh or frozen, fil- eted, etc., cod, haddock, ake, pollock, cusk, and osefish	Calendar year	23,591,432	Pound	7,733,109[1/]
a Fish	Calendar year	To be announced	Pound	17,608,572
te or Irish potatoes:				
ertified seed	12 mos. from Sept. 15, 1965	114,000,000	Pound	68,049,750
ther		45,000,000	Pound	16,687,531
es, forks, and spoons ith stainless steel andles	Nov. 1, 1965 - Oct. 31, 1966	84,000,000	Pieces	Quota filled
kbrooms	Calendar year	1,380,000	Number	685,668
r brooms	Calendar year	2,460,000	Number	1,234,282

Imports for consumption at the quota rate are limited to 11,795,716 pounds during the first 6 months of the calendar year.

Commodity	Period and Quantity		Unit of Quantity	Imports as of Apr. 2, 1966
Absolute Quotas:				
Butter substitutes containing over 45% of butterfat, and butter oil	Calendar year	1,200,000	Pound	Quota filled
Fibers of cotton processed but not spun	12 mos. from Sept. 11, 1965	1,000	Pound	
Peanuts, shelled or not shelled, blanched, or otherwise prepared or preserved (except peanut butter)	12 mos. from August 1, 1965	1,709,000	Pound	1,081,679

1/ Imports as of April 11, 1966.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
WEDNESDAY, APRIL 13, 1966

F-432

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and milled wheat products authorized to be entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamation of April 13, 1942, and provided for in the Tariff Schedules of the United States, for the 12 months commencing May 29, 1965, as follows:

Country of Origin	Wheat		Milled wheat products	
	Established Quota	Imports May 29, 1965, April 2, 1966	Established Quota	Imports May 29, 1965, April 2, 1966
	(Bushels)	(Bushels)	(Pounds)	(Pounds)
Canada	795,000	-	3,815,000	3,815,000
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	-
United Kingdom	100	-	75,000	-
Australia	-	-	1,000	300
Germany	100	-	5,000	-
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	-
Argentina	2,000	-	14,000	-
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
Other foreign countries or areas	-	-	-	-
	800,000	-	4,000,000	3,815,300

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
WEDNESDAY, APRIL 13,1966

F-433

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1966, to April 2, 1966, 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 Apr. 2, 1966
Buttons	510,000	Gross	88,012
Cigars	120,000,000	Number	1,966,190
Coconut oil	268,800,000	Pound	267,257,443
Cordage	6,000,000	Pound	2,441,542
Tobacco	3,900,000	Pound	1,137,352

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
W$DNESDAY, APRIL 13,1966

F-434

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 - April 11, 1966

Country of Origin	Established Quota	Imports	Country of Origin	Established Quota	Imports
Egypt and Sudan............	783,816	-	Honduras.....................	752	-
Peru.......................	247,952	130,458	Paraguay.....................	871	-
India and Pakistan.........	2,003,483	-	Colombia.....................	124	-
China......................	1,370,791	-	Iraq.........................	195	-
Mexico.....................	8,883,259	1,340,298	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 - April 11, 1966

Staple Length	Allocation	Imports
1-3/8" or more	39,590,778	39,590,778
1-5/32" or more and under		

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 April 11, 1966	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1965, to April 11, 1966
United Kingdom............	4,323,457	22,577	1,441,152	22,577
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	11,765	25,443	-
Italy.....................	21,263	-	7,088	-
Other, including the U.S..	-	-	-	-
	5,482,509	34,342	1,599,886	22,577

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 13, 1966

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 $2,300,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing April 21,1966, in the amount of $2,303,720,000, as follows:

91-day bills (to maturity date) to be issued April 21,1966, in the amount of $1,300,000,000, or thereabouts, representing an additional amount of bills dated January 20,1966, and to mature July 21,1966, originally issued in the amount of $1,001,138,000, the additional and original bills to be freely interchangeable.

182 -day bills, for $1,000,000,000, or thereabouts, to be dated April 21,1966, and to mature October 20,1966.

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

Tenders will be received at Federal Reserve Banks and Branches p to the closing hour, one-thirty p.m., Eastern Standard ime, Monday, April 18, 1966. Tenders will not be eceived at the Treasury Department, Washington. Each tender must e for an even multiple of $1,000, and in the case of competitive enders the price offered must be expressed on the basis of 100, ith not more than three decimals, e. g., 99.925. Fractions may not e used. It is urged that tenders be made on the printed forms and orwarded 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 ustomers provided the names of the customers are set forth in such enders. Others than banking institutions will not be permitted to ubmit tenders except for their own account. Tenders will be received thout deposit from incorporated banks and trust companies and from sponsible and recognized dealers in investment securities. Tenders om others must be accompanied by payment of 2 percent of the face ount of Treasury bills applied for, unless the tenders are companied by an express guaranty of payment by an incorporated bank trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for each issue for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed on April 21, 1966, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 21, 1966; provided, however, that settlement for tenders submitted to the Federal Reserve Bank of Dallas (including its Branches) must be completed at that Bank (or Branch) on April 22, 1966, and must include one day's accrued interest if the settlement is made with other than Treasury bills maturing April 21. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

April 13, 1966

FOR IMMEDIATE RELEASE

TREASURY DECISION ON EGGS UNDER THE ANTIDUMPING ACT

The Treasury Department has completed its investigation with respect to the possible dumping of whole frozen eggs from the United Kingdom. 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.

The merchandise is used primarily in commercial baking.

Section 14.7(b)(9) of the Customs Regulations provides that a determination of no sales at less than fair value shall be made

> "Whenever the Secretary of the Treasury is satisfied that promptly after the commencement of an antidumping investigation either
>
> (i) price revisions have been made which eliminate the likelihood of sales below fair value and that there is no likelihood of resumption of the prices which prevailed before such revision, or
>
> (ii) sales to the United States of the merchandise have terminated and will not be resumed."

The investigation commenced on March 11, 1966. On March 29, 1966, an "Antidumping Proceeding Notice," signed by the Commissioner of Customs, was published. On March 30, 1966, a "Withholding of Appraisement Notice," signed by the Commissioner of Customs, was published. On April 7, 1966, assurance was given by the British exporter that there would be no shipments, beyond those already on the sea or loaded, for entry into the United States of the whole frozen egg at less than fair value within the meaning of the Antidumping Act. At this point, it was estimated that some 6 million pounds of the product had already arrived, of which 1.2 million pounds had been used, with part of the balance used, part not yet used. An additional 5.9 million pounds were estimated to be about to arrive, on the high seas, or already loaded due to depart. Contracts outstanding for delivery of some 19 million pounds, not included in the above figures, were canceled. The assurance given that no further shipments would be made, except at prices not less than fair value, was given irrespective of how the presently pending dumping proceeding was determined. At the same time, importers of the product noted that United States stocks in March were at a historic low.

Although continuing to withhold appraisement, the Treasury Department concluded that the record was sufficient to justify a tentative determination that action had been taken promptly so as to bring this case within the purview of the above quoted regulation.

TREASURY DEPARTMENT
Washington

FOR RELEASE: UPON DELIVERY

REMARKS OF THE HONORABLE MERLYN N. TRUED
ASSISTANT SECRETARY OF THE TREASURY FOR INTERNATIONAL AFFAIRS
AT A BRIEFING CONFERENCE ON U. S. TRADE AND INVESTMENT
SPONSORED BY
THE FEDERAL BAR ASSOCIATION
AND THE
FOUNDATION OF THE FEDERAL BAR ASSOCIATION
IN COOPERATION WITH
THE BUREAU OF NATIONAL AFFAIRS
SHOREHAM HOTEL, WASHINGTON
APRIL 14, 1966, AT 9:30 A.M.

OUR BALANCE OF PAYMENTS PROGRAMS AND PRIVATE CAPITAL

I am delighted at the opportunity to open this discussion of private capital and the balance of payments. There has perhaps never been a more timely moment to cast the balance of payments program we now have into perspective in terms both of the short run and the longer run. No one, I believe, has been more conscious than have the architects of the present program of the fundamental fact that short term measures can distort, even delay considerably, the attainment of the longer range objectives. I submit that the program has avoided this pitfall. Far from impairing chances of achieving the freer trade and payments system which we have sought, the measures taken, though momentarily seeming to backtrack, have in fact hastened our move toward that goal. And we have made real progress on this front -- I leave the evidence for this statement until later in my remarks.

I wish that I could present this subject matter to you neatly tidied on a conclusive brief, but I cannot.

In these circumstances, it is good to know that reinforcements are on the way. The distinguished Secretary of Commerce, the Honorable John T. Connor, is going to speak to you at lunch about the part of the balance of payments program that is his particular responsibility, the voluntary program dealing with overseas investment by American businesses. And, Mr. Robert L. Sammons, of the Federal Reserve Board, will succeed me here to explain the other main element of the voluntary program, dealing with lending abroad.

Since I can depend upon the additional information and clarification that you will be getting today from these and the other speakers you will hear, I feel safe in leaving in their competent hands most responsibility for description of our balance of payments programs that you expect from us.

For my part, I would like to turn directly to a consideration of the relationship between our payments position and programs, on the one hand, and the total obligations that the United States economy has undertaken, on the other. Neither the importance attached by the President to bringing our international payments into equilibrium at an early time and keeping them in equilibrium, nor the measures in the President's program for doing this can be assessed aside from a realization of what, altogether, the American economy is trying to accomplish.

The Obligations of the American Economy

At home, we have realized that we have broken through to economic magnitudes that permit us to have not just a better supplied society, but to lift our sights entirely, to the building of a Great Society. Having realized this -- in itself a critical act -- the American people have pledged themselves to finance the giant tasks involved.

By another critical act that created other and very great assessments upon their resources, the American people have realized that they cannot build a Great Society at home in isolation from the rest of the world.

For the defense of freedom, we are spending this year more than $58 billion. There is no free man anywhere in the world who does not owe his freedom in good part to this United States shield and to all it represents in terms of American human and material sacrifices over a period now measured in decades.

Finally, during those decades, behind the defense shield that we have raised for all free societies, we have poured out our treasure and our human energy and talent in an effort to help people beyond our borders build economies that would provide for better lives. Our defense and our assistance efforts add up to leadership by the United States in laying the foundations in the Free World for a Greater Society of Nations.

In his State of the Union Message this year, President Johnson pledged us to continue in this, taking new directions paralleling what we are learning in our efforts to build a Great Society at home. As we are doing or have done at home, we are helping to attack poverty abroad through programs to improve health, education and agriculture.

But while moving forward on this program, we must seek its achievement

-- without sacrificing price stability,

-- without sacrificing employment and economic growth,

-- without running chronic balance of payments deficits,

-- and, finally and fundamentally, without loss of that prime source of strength and efficiency: freedom of private economic choice.

It is clear that our requirements for goods and services can only be met by an economy that grows steadily and substantially, in both capacity and productivity.

It is equally clear that our qualitative requirements -- growth and stability, in freedom -- can be met only by an economy that mirrors highly responsible attitudes on the part of all sectors of the economy.

The Responsible Economy:
At Home

In an address on April 4 at San Francisco, Secretary of the Treasury Fowler pointed out that during the five years from 1961 to 1965:

Corporate profits after taxes *rose* by more than 65 percent, compared to a *decline* in the previous five years of 2 percent.

Employe compensation rose about 30 percent, compared to 20 percent in the previous five years.

Real employe compensation -- compensation corrected for price rises -- grew nearly twice as much in the last five years as it did in the five years preceding 1961.

Employment of both people and production equipment rose, while in the five previous years, idleness of both people and capital increased.

Why? What made these large and significant differences?

For one thing, during this period of balanced growth and increased benefits to all, government economic policy was realistically responsive -- that is to say, highly responsible -- to the nation's real needs. Demand was stimulated and employment increased by cutting the taxes on the earnings of both people and capital. Capital was further encouraged to make available to American labor the best in new, high productivity tools by a 7 percent investment credit and by the depreciation reform of 1962. To this -- and at a critically early point -- was added a further stimulus to productivity in the form of massive programs for training and retraining of American labor. By these measures unit production costs were held down while output rose, permitting the earnings of both capital and labor to rise without inflationary effects. Further, the manpower training programs and the improvement of general education cut deep into structural unemployment in the United States.

What these comparisons make vividly clear, Secretary Fowler said, and I quote:

> "is the fact that the wage-price guideposts -- or something like them -- must occupy an important place in any successful effort to secure *real* growth in the economic abundance in which we all share."

He continued:

> "In 1965 we were closer than at any time in our history to the simultaneous achievement of our four paramount goals:

> strong and stable economic growth, full employment, reasonable price stability and equilibrium in our international balance of payments.
>
> "The question before us is how shall we seek to accomplish what no other free nation has succeeded in doing . . . Shall we build upon the policies that have brought us so close to our goals? Or shall we revert to policies . . . that would have us achieve one or two of our economic goals at the expense of the others?"

We think that the answer is clear: we opt to maintain our progress toward all our goals. And the way to do so, we think lies in the continued exercise of responsible restraint along the lines laid out for businesses and unions in the wage-price guideposts, and in the exercise by individuals of responsibility in their private affairs by such means as moderation of spending and borrowing, support of the Savings Bonds program, and postponement of travel abroad. In short, an economy that keeps its sense of responsibility as high as its goals.

The Responsible Economy:
Abroad

The success that we have in establishing, at home, a partnership in responsibility between government and the private sector for achieving difficult economic goals sets a pattern for dealing with the complex balance of payments problem for a temporary period through a similar partnership, permitting the avoidance in our foreign economic policy, as at home, of restrictionist practices and controls that intrude upon private economic decision making.

The review we have just made of our domestic economy demonstrates that we have not had the classic balance of payments trouble: inflation, or obsolete work skills or obsolete productive equipment and management methods, causing the deficit country's goods and services to become non-competitive and resulting in an unfavorable trade balance. We have had persistent trade surpluses, although they have varied substantially, and although it is possible that they would have been larger with greater emphasis on competitiveness at home and abroad.

The sources of our payments deficits are to be sought in very different directions, chiefly in such factors as the excessive reliance of some European countries on tight money policies to deal with inflationary pressures, combined with the relative strength and efficiency of our capital markets, making the dollar the easiest and cheapest investment vehicle: our technological and managerial skills that enable our corporations to take advantage, through direct investment, of the opportunities presented by expanding markets abroad; our official outlays abroad for defense and assistance, and our mounting tourist expenditures. These bring on deficits -- outflows of dollars from us bigger than dollar inflows to us.

The dollar is fully convertible into gold for official purposes -- the only currency offering this privilege. Consequently, every dollar that goes abroad can become a claim upon our gold if it moves into the hands of official holders. And, because our domestic gold production is less than our commercial and industrial requirements for gold, there is a limit to the claims we can prudently permit to build up abroad. Therefore it is necessary -- absolutely necessary -- for us to bring our payments into equilibrium and keep them there.

Clearly, it is necessary to move in several directions to overcome this problem and to keep it under control.

First, it is necessary to increase our trade surplus, to balance off our dollar outflows for official purposes and investment.

Second, we must maintain universal faith in the dollar, as the major financing instrument and as a reserve medium that is a most reliable store of value for the future.

This is where the partnership in economic responsibility between the government and the private sectors of the economy at home becomes critically important. Only in the context of an American economy whose main characteristics are high productivity, low cost of production, and stability of prices can we hope to continue -- in a world that is increasingly competitive -- to win large annual surpluses in our commercial trade with the rest of the world. And, only if we are successful through our partnership in economic responsibility in achieving vigorous economic growth and economic stability together can we expect to keep the dollar in the eyes of the world what President Johnson has declared it must be: "As good as gold."

If, through such measures as the wage-price guideposts, we demonstrate that we can make simultaneous economic growth and economic stability a way of life in the American economy, we will reinforce our progress on the balance of payments front. For by doing this, we would -- and I think that we are well on the way to doing so -- establish the competitiveness of the American economy on such solid grounds that we could look forward with reasonable confidence to healthy and perhaps increasing trade surpluses.

These are, in turn, the basic conditions necessary for attaining equilibrium in our international payments, and, having attained equilibrium, for sustaining it.

With this firm, critically required, underpinning, the balance of payments prospects over the years ahead give us no cause for pessimism or undue concern. For the trade surplus will be reinforced by a growing stream of earnings flowing back to the U. S. on an ever broader investment base -- and let me remind you quickly that our balance of payments program does not involve a halting of investment flows; quite the contrary. But the base of earnings even now is immense: U. S. direct investment abroad alone now totals over $48 billion. A further element of strength lies in the fact that capital markets abroad show signs of becoming broader and more efficient mobilizers of capital for productive investment. Accordingly, insofar as I am concerned at least, the outlook on this front over the years ahead is bright.

To span the gap between the stronger position of the uture and the more immediate limitations on our national apacity to provide capital around the world, however, we ound need for arrangements under which the private and the overnmental sectors could exercise responsible restraint n their operations, with the dual purpose of achieving private ompetitive business objectives -- from which the economy raws its basic strength -- and meeting national needs.

Here we found need for arrangements under which the private and the governmental sectors can exercise responsible restraint in their operations, with the dual purposes of achieving private competitive business objectives -- from which the economy draws its basic strength -- and meeting national obligations.

The government, for its part, should take -- and indeed has taken -- the first step. The balance of payments effects of governmental programs abroad have been cut from $3.8 billion in 1960 to $2.4 billion in 1965. Vietnam makes further gains unlikely, and may well temporarily reverse the trend in this one area of the balance of payments problem. But the government is practicing what it preaches by intensifying its efforts to cut the balance of payments effects of its foreign spending as unavoidable pressures force foreign spending upward.

A factor that, two and three years ago, abruptly swelled our payments deficits was the outflow of dollars to foreign parts for private investment, and foreign lending by American financial concerns.

Between 1960 and 1964 direct investment outflows rose from $1.7 billion to $2.4 billion, while in 1965 alone, the total appeared likely to jump more than a billion dollars further.

During 1961-1964 the outflow of bank capital doubled, rising from $1.2 billion to $2.5 billion. As a result of the Interest Equalization Tax, the outflow of private capital into foreign securities was no greater in 1964 than in 1960. The outflow on account of all other types of private capital rose from $400 million in 1960 to $900 million in 1964.

The
Guidelines

Thus it was that President Johnson's balance of payments program announced a little more than a year ago, and extended and strengthened for this year, laid its main emphasis upon the voluntary approach that, on the domestic front, has its counterpart in the form of the wage-price guideposts. I am referring to the guidelines for moderating the flow of dollars abroad for direct investment and foreign lending.

Let me repeat very briefly at this point something that I am sure will also be a part of what Secretary Connor and Mr. Sammons will be saying to you.

The voluntary cooperation program is not aimed at reducing the amount of foreign investment. On the contrary, it allows for an increase in this investment. It calls for a moderation in the rate of the increase, with the objective of arriving at a rate more compatible with our current balance of payments situation. But it is a moderated increase, not a decrease, in foreign investment that is involved.

The guidelines aim to give government the means for carrying out its proper role in a free economy: the conditioning of the economic climate with respect to the general well being, while permitting economic decision making to remain where it belongs: in private hands.

Furthermore, the guidelines have a fundamental importance for the private concerns that they affect. By helping to protect the stability of the dollar, they help continue the dollar in the role of the major international currency, with all that means for expanded U.S. business opportunities.

How long will we need to employ the guidelines?

Secretary Fowler addressed himself to the same question in a speech on April 5 -- and I will quote his words:

> "Looking ahead, I would like to be able to suggest some magic date for the termination of the voluntary balance of payments restraints. But I cannot do so. We are not likely to be able to terminate the program so long as hostilities in South Vietnam on the present scale persist.
>
> "When that is over, there can be a thorough-going re-examination of all the factors that throw light on the prospects that the voluntary restraints program could be modified or abandoned without bringing back major deficits in our balance of payments."

Today, April 14, nine days later, I would not want to be any more definite.

But I do want to re-emphasize the need for continued sharing of responsible economic conduct by the government, business, labor, and the public generally. We feel confident that this sharing of responsibility will continue, destroying the last vestiges of any lingering doubt anywhere that the U.S. will effectively eliminate its balance of payments deficits or that the dollar is not as good as gold.

Our task on the balance of payments front has been made more difficult by the fulfilling of our commitment in Southeast Asia. This requires even closer identification of our efforts on a broad front. Even while the cause is urgent, however, the longer-term prospects remain highly promising.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

April 15, 1966

FOR IMMEDIATE RELEASE

ANTIDUMPING PROCEEDING ON FISHERY PRODUCTS

On March 9, 1966, the Commissioner of Customs received information in proper form pursuant to the provisions of section 14.6(a) of the Customs Regulations indicating a possibility that fishery products imported from the U.S.S.R. are being, or likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

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

The information was developed within the Customs Service.

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

Imports of the involved merchandise reported for the period January 1, 1966, to date amounted to approximately $375,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 15, 1966

FOR IMMEDIATE RELEASE

TREASURY DECISION ON BULK, CRUDE, UNDRIED SOLAR SALT
UNDER THE ANTIDUMPING ACT

The Treasury Department has completed its investigation with respect to the possible dumping of bulk, crude, undried solar salt from Mexico, manufactured by Cia Exportadora de Sal, Baja California, Mexico. A notice of a tentative determination that this merchandise is not being, nor likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended, will be published in an early issue of the Federal Register.

The salt under consideration is used for industrial purposes, such as water purification.

Appraisement of the above-described merchandise from Mexico, manufactured by Cia Exportadora de Sal, Baja California, Mexico, has not been withheld at this time.

Imports of the involved merchandise received during the period April 15, 1965, through January 31, 1966, amounted to approximately $490,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 18, 1966

FOR RELEASE A.M. NEWSPAPERS
TUESDAY, APRIL 19, 1966

REGIONAL COMMISSIONERS, DISTRICT DIRECTORS AND PROGRAM ADVISERS APPOINTED FOR BOSTON CUSTOMS REGION

Assistant Secretary of the Treasury True Davis today announced the appointment of William J. Griffin, Assistant Collector of Customs at Boston, as Regional Commissioner of Customs for the new Boston Region I.

Mr. Davis also announced the appointment of Edward L. Finnegan, Customs Agent in Charge at Boston, as Assistant Regional Commissioner (Operations), and Theodore F. Belitsa, Assistant Director of Audits at the Bureau of Customs in Washington, D.C., as Assistant Regional Commissioner (Administration).

The appointments -- together with those of seven District Directors, also announced today -- will be effective on May 1, 1966 with the activation of the Boston Customs Region.

The Customs District Directors for the new region are:

Boston Customs District - Joseph A. Curnane, Comptroller of Customs, Boston, Massachusetts.

Portland (Maine) Customs District - Miss Lucia M. Cormier, Collector of Customs, Portland, Maine.

Providence (Rhode Island) Customs District - Alfred C. Dumouchel, Collector of Customs, Providence, Rhode Island.

Bridgeport (Connecticut) Customs District - Mrs. Gertrude M. Cwikla, Collector of Customs, Bridgeport, Connecticut.

Buffalo (New York) Customs District - John F. Chilton, Appraiser, Buffalo, New York.

St. Albans (Vermont) Customs District - Roland Raymond, Liaison Officer, Bureau of Customs, Washington, D.C.

Ogdensburg (New York) Customs District - W. Richard Nystrom, Appraiser, Champlain, New York.

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.

At the same time, Assistant Secretary Davis named three program advisers in the new Boston Customs Region. They are:

John M. Lynch, currently Collector of Customs for Boston; Russell F. Niquette, currently the Collector of Customs in St. Albans, Vermont; and Edward J. Gosier, Customs Collector at Ogdensburg, New York.

All three will continue to be based in the cities where they now are serving. As special assistants to the Regional Commissioner of Customs in Boston, they will have responsibility for development of projects and programs in public affairs to keep travelers and traders fully informed about Customs laws and procedures.

Boston will be the seventh region to be activated in accordance with a year-long timetable. The Houston Customs Region will be activated next month. The last region to be established will be New York City on June 1. Regions already established are San Francisco, Los Angeles, Miami, New Orleans, Chicago, and Baltimore.

Offices of the Boston region will be on the 24th Floor, JFK Federal Building in that city.

United States Commissioner of Customs Lester D. Johnson ıeads the Bureau of Customs, which is part of the Treasury)epartment. His office is in Washington, D. C.

Biographies follow.

BIOGRAPHICAL SKETCH OF WILLIAM J. GRIFFIN

William J. Griffin, Regional Commissioner-designate, Boston Customs Region I, was born in Boston on August 23, 1917, and educated at Boston College where he received his B.S. degree in 1940. He completed courses in international trade, management and personnel.

Mr. Griffin started his Customs career as an Inspector in Boston in 1941. He took military leave to enlist in the U. S. Navy during World War II, serving as gunnery officer aboard the USS Miller in the Pacific combat zone. In 1945, following his discharge, Mr. Griffin returned to the Customs Service where he served as Station Inspector on the Boston waterfront.

Mr. Griffin was promoted to the position of Deputy Collector in Charge, Marine Division, Deputy Collector in Charge, Outside Division, and subsequently Assistant Collector, with responsibility for the Port of Boston and seven ports of entry in the Massachusetts District. He served as a member on various port interests committees in the Massachusetts Collection District.

Mr. and Mrs. Griffin have four children: William L., John W., Michael W., and Barbara. They reside at 250 Nichols Street, Norwood, Massachusetts.

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BIOGRAPHICAL SKETCH OF EDWARD L. FINNEGAN

Edward L. Finnegan, Assistant Regional Commissioner-esignate (Operations), was born on May 26, 1916 at Belmont, assachusetts, and received his education at George Washington niversity, Boston College, and the U.S. Coast Guard Academy.

Mr. Finnegan joined the Customs Service at Boston, assachusetts, in 1940. He served in the U.S. Army from 941 to 1946 and was awarded the Legion of Merit. In 1946 e returned to the Customs Service and was appointed Customs nspector in 1947, and Customs Agent in 1948. In 1948 he ecame Supervising Customs Agent in Boston and Customs Agent n Charge in 1963.

Mr. and Mrs. Finnegan reside at 79 Spy Pond Parkway, lington, Massachusetts.

BIOGRAPHICAL SKETCH OF THEODORE F. BELITSA

Theodore F. Belitsa, designated to be Assistant Regional Commissioner (Administration), was born in Nanticoke, Pennsylvania, on March 21, 1918. He attended the University of Pennsylvania, Wharton School from 1938-1941, and received a Bachelor of Science degree from Columbus University (now part of Catholic University), Washington, D. C. in 1951. In 1953 he received a Master's degree from the same school, and took a number of management courses at local universities in the District of Columbia.

He served in the U.S. Coast Guard from 1942 to 1946 and was discharged with the rank of lieutenant. He received a commendation from the Coast Guard Commandant for helping to extinguish fires aboard several LST's and the removal of wounded personnel from ships following explosions at Pearl Harbor in May, 1944.

Mr. Belitsa joined the Customs Service in 1941 as a stenographer. He became a cashier at the U.S. Customhouse in Georgetown, Washington, D.C. in 1946 and was appointed fiscal accountant in 1949, serving in that capacity until 1953. In that same year he was named as Head of the Financial Procedures Unit at the Bureau and became Assistant Director of Audits in 1957.

Mr. Belitsa is a member of the Institute of Internal Auditors, National Accounting Association, and American Accounting Association.

Mr. and Mrs. Belitsa reside at 6537 Chesterfield Avenue, McLean, Virginia.

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BIOGRAPHICAL SKETCH OF JOSEPH A. CURNANE

Joseph A. Curnane, District Director-designate, Boston, was born on August 3, 1914 at Rochester, New York, and received his education at Providence College, Providence, Rhode Island.

He served in the U.S. Navy from 1942 to 1945 and took part in the landing on Okinawa.

Mr. Curnane is active in civic and community affairs. He is chairman of the Everett Stadium Commission and a member of the Everett Public Housing Authority. He has been Comptroller of Customs for the New England District since 1961.

Mr. and Mrs. Curnane reside at 516 Broadway, Everett, Mass.

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BIOGRAPHICAL SKETCH OF LUCIA M. CORMIER

Miss Lucia M. Cormier, District Director-designate for Portland, Maine, is a native of Rumford, Maine. She received her B.A. degree from the College of St. Elizabeth, Morristown, New Jersey, in 1932, and her M.A. degree from Teachers College, Columbia University, New York,in 1940.

Miss Cormier was head of the modern languages department of Stephens High School, Rumford, Maine, from 1932 to 1945. She owned and operated a stationery, book and gift shop in Rumford for several years, and served six terms in the State of Maine House of Representatives.

Miss Cormier has been Collector of Customs at Portland, Maine, since 1961. She resides at 630 Franklin Street, Rumford, Maine.

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BIOGRAPHICAL SKETCH OF ALFRED C. DUMOUCHEL

Alfred C. Dumouchel, District Director-designate, Providence, Rhode Island, was born on July 3, 1905 at Harrisville, Rhode Island, and educated in that town.

Mr. Dumouchel was chairman of the Special Legislative Liquor Commission of the State of Rhode Island, and from 1959 to 1963 was safety director of the City of Woonsocket.

He was appointed Collector of Customs at Providence, Rhode Island in 1963 and has held that position until this present appointment.

Mr. Dumouchel resides with his wife at 667 Harris Avenue, Woonsocket, Rhode Island.

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BIOGRAPHICAL SKETCH OF GERTRUDE M. CWIKLA

Gertrude M. Cwikla, designated as District Director, Bridgeport Customs District, was born at North Berick, Maine, and attended schools in Concord, New Hampshire, prior to taking up residence in Hartford, Connecticut.

Mrs. Cwikla's varied career began in 1942 when she worked as a machine operator during the war at Pratt & Whitney Aircraft. Later she worked for the Underwood Corporation and Hartford Fire Insurance Company. From 1959 to 1961 she was Special Assistant to the Comptroller, State of Connecticut, at Hartford. She was appointed Collector of Customs at Bridgeport in 1961.

Mrs. Cwikla has been active in fund raising campaigns for the March of Dimes, Red Cross, Community Chest, and Muscular Dystrophy. She is also a member of the Good Shepherd Guild, St. Joseph's Women's Club, and the Connecticut State Employees Association.

She is married to Walter J. Cwikla, and they and their son reside at 12 Bates Place, Hartford, Connecticut.

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BIOGRAPHICAL SKETCH OF JOHN F. CHILTON

John F. Chilton, District Director-designate, Buffalo, lew York, was born on June 21, 1924, at Ogdensburg, New York, eceiving his education there plus special training with the arine Corps and management training with the U. S. Customs ervice.

He was a member of the United States Marine Corps from 943 to 1945, and has been a member of the Customs Service ince 1946.

While in the Customs Service, Mr. Chilton has served in rious capacities at Rouses Point, Malone, Champlain, Buffalo, w York, and at Washington, D. C.

Mr. Chilton has been Customs Appraiser at Buffalo, New York om 1963 until this new appointment.

Mr. Chilton resides with his wife at 1484 Abington Place, th Tonawanda, New York.

BIOGRAPHICAL SKETCH OF ROLAND RAYMOND

Roland Raymond, District Director-designate, St. Albans, Vermont, was born on February 25, 1924 at Caswell, Maine. He was educated at schools in Caswell and Limestone, Maine, and Gates Business College, Augusta, Maine.

Mr. Raymond was in the Air Force from 1942 to 1945, where he was a radio operator with the rating of Technical Sergeant. He flew on 22 missions during the period, was shot down, and was a Prisoner of War for 14 months in East Prussia.

Before joining the Customs Service he was employed by the Veterans Administration from 1945 to 1951, and by the Internal Revenue Service from 1951 to 1955.

Mr. Raymond joined the Customs Service in 1955, and has been employed as an Inspector and Deputy Collector at Houlton, Maine, before becoming a Liaison Officer at the headquarters of the Bureau of Customs in Washington, D. C., in 1963.

Mr. Raymond resides with his wife and four children at 7645 Walters Lane, Forestville, Maryland.

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BIOGRAPHICAL SKETCH OF W. RICHARD NYSTROM

W. Richard Nystrom, District Director-designate, Ogdensburg, New York, was born September 24, 1924 at Marquette, Michigan, and graduated with a B.S. degree from Northern Michigan College in 1949.

Mr. Nystrom served in the Air Force from 1943 to 1945. He was a public school teacher and principal at Rock, Michigan, 1950 to 1952, and manager of a trucking firm from 1952 to 1955.

Mr. Nystrom joined the Customs Service in 1955. He has been Appraiser of Merchandise at Champlain, New York, since 1961.

Mr. and Mrs. Nystrom reside at 6 Mohawk Road, Plattsburgh, New York.

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BIOGRAPHICAL SKETCH OF JOHN M. LYNCH

John M. Lynch was born on June 1, 1902, at Somerville, Massachusetts, and received his education at Holy Cross College. He has been a Lieutenant in the United States Navy, and was Mayor of Somerville four times. Since 1962 he has been serving as Collector of Customs.

Under the reorganization, Mr. Lynch, as Program Adviser, will serve as special assistant to the Regional Commissioner of Customs in Boston, with responsibility for development of projects and programs in public affairs to keep travelers and traders fully informed of Customs laws and procedures.

Mr. and Mrs. Lynch reside at 34 Browning Street, Somerville, Massachusetts.

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BIOGRAPHICAL SKETCH OF RUSSELL F. NIQUETTE

Russell F. Niquette was born August 8, 1907, at Winooski, Vermont, was educated at Burlington Business College, Burlington, Vermont, and graduated from Boston University Law School, Boston, Massachusetts, in 1933.

Mr. Niquette passed the Vermont Bar Examination in 1934, and has been actively engaged in the practice of law in Winooski and Burlington, Vermont, since that time. He has been active in community affairs and is presently a Trustee of DeGoesbriand Memorial Hospital in Burlington.

Mr. Niquette was appointed Collector of Customs in St. Albans, Vermont, August 14, 1961, and resides with his wife at 41 East Allen Street, Winooski, Vermont.

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BIOGRAPHICAL SKETCH OF EDWARD J. GOSIER

Edward J. Gosier was born on March 11, 1922, and educated at St. Lawrence University, Canton, New York, and at Cornell University Law School, Ithaca, New York, graduating from the latter in 1948. He is a member of the New York State Bar, the Bar of the Federal District Court, and has been admitted to practice in the Supreme Court of the United States.

Mr. Gosier was in the Air Force from 1942 to 1946, serving in Asiatic theater. He has been active in civic affairs, and was appointed Collector of Customs at Ogdensburg, New York, on June 20, 1962.

Mr. Gosier resides with his family at 537 Webb Street, Clayton, New York.

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TREASURY DEPARTMENT
Washington

FOR RELEASE P.M. NEWSPAPERS
SATURDAY, APRIL 16, 1966

REMARKS BY THE HONORABLE JOSEPH W. BARR
BEFORE THE
5TH ANNUAL NEW ENGLAND CONFERENCE ON LEGAL PROBLEMS
BOSTON BAR ASSOCIATION
BOSTON, MASSACHUSETTS
SATURDAY, APRIL 16, 1966, 12:15 P.M., EST

The two decades since the end of World War II have been notable in a multitude of ways, not the least of which has been the dramatic growth of the world economy. World production has grown at an exceptional rate, and world trade and investment, both trouble spots in the 1930s and 1940s, similarly have shown dramatic increases.

There has, however, been a consistently disturbing feature in this hopeful picture: the inability of most less developed countries to attain a rate of economic growth measured against population increase that promises to raise standards of living to reasonable levels anytime soon.

Through four administrations since World War II the United States has maintained a strong and imaginative foreign assistance program. After the dramatic reconstruction of Europe, the focus of our programs shifted from Europe to the less developed nations of the world. Billions of dollars have been spent to assist countries in Latin America, in Asia, and in Africa, not only by the U. S., but by other industrial nations and by various international organizations.

The progress -- in terms of growth rates -- as noted by President George Woods of the World Bank, has been impressive. But in terms of overcoming poverty, the problem remains huge.

Mr. Woods underlined the discrepancy that can exist between achieving a good rate of economic growth and escaping from poverty in a recent issue of Foreign Affairs.

> "Almost two-thirds of the world's population live in underdeveloped countries; but they have only one-sixth of the world's income . . . In the period 1950-54, the rate of increase in their gross national product (approximated 5 percent). But in 1955-60, it dropped to 4.5 percent; and in 1960-64, it was 4 percent. When allowance is made for population growth, per capita income in about half the 80 underdeveloped countries which are members of the World Bank is rising by only 1 percent a year or less . . . The average per capita income in this lagging group is no more than $120 a year. At a 1 percent growth rate, income levels will hardly reach $170 annually by the year 2000."

The implications are plain and sobering.

> "If present trends are allowed to continue, there will be no adequate improvement in living standards in vast areas of the group for the balance of this century. Yet, over the same period, the richer countries will be substantially increasing their wealth. In the United States, for example, the present per capita income of about $3,000 a year will, if it continues to grow at the current per capita rate, reach about $4,500 by the end of the century. In other words, one group's per capita income will increase over this period by $50, while America's will increase by about $1,500."

In a recent study made by the staff of the World Bank, it was estimated that over the next five years the developing countries could put to constructive use something like $3-$4 billion more each year than they are currently receiving from all sources -- that is, from governments on a bilateral basis, from the international institutions on a multilateral basis, and from the private economy. Obviously, whether or not these figures are precise, the remaining need for capital is very large, and the private sector must be heavily involved.

Parenthetically I might add that we face somewhat the same situation in our own country. In the past year I have gradually perceived the outlines of the looming capital requirements to meet what I would call the "environment gap" which is developing in this country.

In the main the "environment gap" is associated with the urbanization of our society, and its mechanization. It is becoming apparent that we can no longer safely ignore the urban-associated problems -- the pollution of our streams and our air and the disposal of incredible amounts of waste; the sheer problem of getting to work, and its relation to mass transit; and the problems of our urban ghettos. It has been facetiously suggested that we might be the first nation to put a man on the moon while in our cities we are standing ankle-deep in garbage. This is patently ridiculous. A nation with our imagination, economic might, and cultural ambition, will demand and will get a reasonable and decent way of life in our urban centers, but in the process truly staggering sums of money -- and not only money, but also human energy and talent -- may be required.

The solution may be to involve the private sector as deeply as possible in efforts which have a public orientation. In this country the private sector can make a tremendous contribution in these areas, and it may be that this offers one important approach to the problems of the developing nations as well.

However, the fact is that over the past four years the increase in direct U. S. investment in the developing areas of the world has been small in relation to needs and in relation to the outflow of investment capital to some other places. For Latin America, the total value of direct investment by U. S. firms increased from $8.2 billion in 1961 to $8.7 billion in 1964. For Africa, the totals are $1.0 billion in 1961 and $1.6 billion in 1964. For Asia, the totals are $2.4 billion in 1961 and $3.0 billion in 1964. Thus, in a four-year span the total increase in these three developing areas of the world totaled $1.7 billion or somewhat over $400 million per year, during this time. By contrast, direct investment in Europe increased from $7.7 billion to $12 billion in this same period -- an increase of $4.3 billion, or about $1.1 billion a year.

The Treasury has been alert to the search by the U. S. government for ways of increasing U. S. private investment in less developed countries. In the tax field, this concern was 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 the fact that tax treaties recently negotiated with several of the less developed countries included a 7 percent tax credit for U. S. investment in those countries. The Treasury also operated the Foreign Tax Assistance Program to help less developed countries strengthen their tax administration -- and thus help to improve the climate for investment.

Recently we have taken a significant new step in this vast but crucially important area -- the Convention on the Settlement of Investment Disputes. The Convention, which the U. S. signed last year and which we are expecting to be ratified very soon by the Senate, 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. The Convention gives promise of the establishment of the first effective special institution 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 problem with a host of complicated variables, but it is right and prudent to regard private investment, and particularly the great multi-national corporations, as a most potent and promising vehicle outside government to breathe economic life into the less developed nations. The expansion of world trade, the freedom of money to flow where most needed across national boundaries, the stimulating effects of broadening competition and the spread of technical and organizational knowledge -- these are the hallmarks of multi-national business, and these are the developments which have helped to bring an expanding, more integrated and efficient economic structure to the West since 1945.

The question today is: Will the multi-national corporations 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 prominent role in the economic advance of the less developed countries. Whether they will in fact perform up to their capabilities in this respect 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 the case of the Convention for Settlement of Investment Disputes.

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 four have so far ratified it. We expect ratification very soon, and I am happy to say that we have found a good deal of support for the Convention, both in Congress and in the business and financial community generally. While it is undoubtedly true that almost any international agreement concerning private foreign investment is likely to be politically sensitive among capital importing countries, I am confident, particularly in view of the consultations and negotiations conducted by the World Bank, that many such countries will ratify the Convention.

During the last year my international experience as Under Secretary has brought me into contact with the developing nations of Asia, Africa, and Latin America. From this rather brief exposure, I have come to sympathize with and understand the problems which confront both the private investor and the developing nations. The leaders of many developing countries face extremely difficult political and economic choices. As politicans, they must produce the economic improvements which they have promised their people. However, this is a goal which will be reached only with massive capital flows from outside, a fact which also raises thorny political problems for the developing country's leader. If he seeks to create an especially attractive climate for large-scale private investment, he may be accused of leading his country down the road of so-called "neo-imperialism." There may be pressures to impose burdensome controls on foreign business enterprises or to expropriate their holdings altogether on the grounds of economic exploitation, or insufficient contribution to the development of the local economy.

Often the political realities belie the economic facts. A foreign business enterprise may have created hundreds of new jobs, provided housing for its employees, schools and recreational facilities for their children; but in the real world, economic forces never operate in a vacuum. Social and political overtones are constantly present -- exercising their influence on economic decisions.

But on the other side, the international corporate executive faces complicated problems and decisions as well. He is charged with the responsibility of investing the funds of his shareholders and he must ultimately be concerned with making sound investment decisions. He must gauge the political climate, assess the possibility of economic controls or outright expropriation; and once his investment has been made, the executive has to live with the operation and deal with any new political and economic circumstances which may arise.

Thus, the new Convention for settling investment disputes offers a significant new opportunity for bridging the gap between the investor and the developing nation. For virtually the first time a company willing to invest and a nation which is prepared to accept the investment will have the opportunity to resolve their difficulties in a dignified and reasonable manner before an impartial, international panel of arbitrators.

More immediately important, perhaps, is the possibility which the Convention holds out for the investor and the leaders of the accepting nation to sit down before the investment is made to define those matters which they would agree to submit for any future arbitration. This gives assurances on both sides and provides a greater measure of security to the transaction than has hitherto been the case. What is more, I think that as the Convention operates over a period of time, we can look forward to the emergence of a new body of case law to guide nations in both avoiding and settling investment disputes. And finally, the forum which is provided for by the Convention may also serve to move investment disputes from the political to the legal arena. At a time of considerable sensitivity between the developed an developing nations, I think this can only be regarded as an important step forward.

Economic development presents the developed world with a multi-faceted challenge which over the years will require imaginative responses at a number of levels in both the public and private sectors of society. I believe that the Convention, while admittedly tentative and exploratory, represents just such a response. It opens a constructive avenue in a sensitive and extremely complicated area. What is more, it offers the hope that as time passes the great potential of the private sector will be brought increasingly to bear on the field of international economic development.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

RELEASE 6:30 P.M.,
day, April 18, 1966.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced that the tenders for two series of Treasury ls, one series to be an additional issue of the bills dated January 20, 1966, the other series to be dated April 21, 1966, which were offered on April 13, 6, were opened at the Federal Reserve Banks today. Tenders were invited for 300,000,000, or thereabouts, of 91-day bills and for $1,000,000,000, or there-its, of 182-day bills. The details of the two series are as follows:

E OF ACCEPTED ETITIVE BIDS:	91-day Treasury bills maturing July 21, 1966		:	182-day Treasury bills maturing October 20, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	98.825 a/	4.648%	:	97.599	4.749%
Low	98.819	4.672%	:	97.594	4.759%
Average	98.821	4.664% 1/	:	97.597	4.754% 1/

a/ Excepting one tender of $300,000
94% of the amount of 91-day bills bid for at the low price was accepted
31% 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:

strict	Applied For	Accepted	:	Applied For	Accepted
ston	$ 35,320,000	$ 25,320,000	:	$ 15,067,000	$ 4,967,000
York	1,613,424,000	899,238,000	:	1,641,030,000	735,754,000
ladelphia	31,494,000	14,484,000	:	23,038,000	6,388,000
veland	29,449,000	29,449,000	:	48,625,000	27,709,000
hmond	23,841,000	23,301,000	:	8,897,000	5,690,000
anta	37,994,000	26,554,000	:	44,374,000	12,731,000
cago	205,539,000	120,713,000	:	183,374,000	65,224,000
Louis	56,708,000	46,798,000	:	32,642,000	23,539,000
neapolis	17,945,000	12,415,000	:	13,266,000	7,010,000
sas City	26,187,000	22,178,000	:	16,487,000	11,748,000
las	31,614,000	21,079,000	:	12,185,000	7,185,000
Francisco	89,016,000	58,745,000	:	202,169,000	93,879,000
TOTALS	$2,198,531,000	$1,300,274,000 b/		$2,241,154,000	$1,001,824,000 c/

ludes $260,195,000 noncompetitive tenders accepted at the average price of 98.821
ludes $132,661,000 noncompetitive tenders accepted at the average price of 97.597
se rates are on a bank discount basis. The equivalent coupon issue yields are
9% for the 91-day bills, and 4.94% for the 182-day bills.

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 19, 1966

IMMEDIATE RELEASE

TREASURY OFFICIAL TO SPEAK ON
TAX POLICY IN THE 1960'S

Assistant Secretary of the Treasury Stanley S. Surrey will deliver the James McCormick Mitchell Lecture, under the auspices of the Law School of New York State University at Buffalo, Thursday, April 21, 1966, at 1:30 P.M., EST., at the Statler Hilton Hotel, in Buffalo, New York.

Mr. Surrey's subject: "Federal Tax Policy in the 1960's."

The Treasury expects to have a limited number of copies of the full lecture text available, for distribution upon request from the Office of Information, Room 3417, Main Treasury Building, Washington, D.C. 20220.

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TREASURY DEPARTMENT

NOTICE:
There is a total embargo
on this press release and
all the attached material
until the release time.

WASHINGTON, D.C.
April 20, 1966

FOR RELEASE 12:00 NOON
WEDNESDAY, APRIL 20, 1966

PRESIDENT PROPOSES ASSET SALES LEGISLATION

President Johnson today sent to the Congress legislation designed to further the substitution of private for public credit in Federal programs. The proposed legislation -- the Participation Sales Act of 1966 -- would authorize the extension of the technique of "pooling" loans and then offering shares, or participations, for sale on the private market.

This technique, now used by the Veterans Administration, the Export-Import Bank, and the Federal National Mortgage Association would, under the proposed legislation, be extended to other lending programs such as college housing, public facilities loans, and programs of the Office of Education, the Farmers Home Administration and the Small Business Administration.

The pooling of credits and sales of participations in the pools would be handled by the Federal National Mortgage Association, which has had extensive experience in this area.

This legislation represents another step forward in the time-tested policy of substituting private for public credit wherever possible. This policy not only makes maximum effective use of the funds available to finance Federal credit programs, but also helps to substantially reduce budget expenditures for such programs. In fiscal 1967, an estimated $4.7 billion in direct Federal loans will be sold on the private market -- of which more than $4 billion will represent participation sales. Without the proposed legislation, it is estimated that the sale of assets in fiscal 1967 would fall substantially short of the $4.7 billion goal.

Attached are summaries of various aspects of the proposed legislation.

F-441

TREASURY DEPARTMENT

WASHINGTON, D.C.

I.

THE ROLE OF PRIVATE LENDERS IN FEDERAL CREDIT PROGRAMS

The proposed Participation Sales Act would enable various Federal credit programs to be financed by a technique which several agencies have used successfully in recent years. It would provide greater private lender participation in their loan programs and avoid locking up budget dollars in a bulging portfolio of direct Federal loans.

Encouraging the flow of private credit into Federal lending programs has been an important objective of the Congress and successive Administrations for over a decade. It was endorsed by the Commission on Money and Credit in 1961 and President Kennedy's Committee on Federal Credit Programs in 1963. Since the mid-1950s, continuing efforts have been made to develop programs of Government guarantees and insurance of private loans -- rather than direct Federal loans -- and also to improve techniques for releasing Federal funds through the sale of Federal loan paper to private lenders.

The participation technique -- that is, grouping loans in pools and selling participations or shares in the pool rather than selling the underlying loans directly -- is a natural development in the financing of Federal credit programs. In major loan programs in the past, the Government's essential function has been to underwrite the credit risk and thus facilitate the flow of funds from large investors to small borrowers who do not have ready access to capital markets. The sale of participation certificates backed by the government makes it feasible to obtain funds from private investors on a sizable scale for programs in which the ultimate borrower's name and credit standing are not well known. The Federal Government acts as an intermediary, much like a mortgage banker, between the borrower and the private capital market.

In practically all Federal credit programs, of which there are about 100, the government assumes all or most of the credit risk. The reason these programs exist is that private lenders are either unwilling or unable to assume the loan risks on the credit terms and conditions necessary to meet the objectives established by the Congress for the programs. The Federal Government, by assuming the loan risk, stimulates the flow of funds from private investors to communities, organizations, and individuals. Assumption of the risk is essentially the same regardless whether:

-- the government insures a Federal Housing Administration loan made by a mortgage banker, who then sells the loan paper to a large investor; or

-- the government sells to large investors, on a guaranteed basis, a million-dollar package of small loans made and serviced by the Farmers Home Administration; or

-- the government insures a multi-million-dollar ship mortgage under the Merchant Marine Act of 1936 which is ultimately financed through the sale of Federally backed bonds; or

-- the government makes the loans directly and then sells guaranteed participation certificates under the proposed legislation.

All of these techniques, including the last, to a limited extent, are in use in Federal credit programs today to reduce the reliance of those programs on Federal funds and draw more on private capital.

The Participation Sales Act of 1966 is a logical extension of policies and practices developed in the past. It is a natural evolution in the development of more efficient financing techniques. These techniques strengthen the private market in its ability to support the credit programs which our society and economy need.

II.

HOW THE PARTICIPATION SALES ACT WOULD WORK

The participation sales technique provides an efficient, flexible, and controlled method of financing Federal lending programs.

This has already been demonstrated by the sale of approximately $1.6 billion in participation certificates by the Federal National Mortgage Association under authority granted in the 1964 and 1965 Housing Acts.

The procedures under the proposed legislation would be substantially the same as those which have been followed in recent sales of participations in Veterans Administration and Federal Housing Administration mortgages.

The major difference would be the requirement of prior authorization in an appropriation act, which would be a condition for the inclusion of relatively low interest rate loans in a participation pool.

Each lending agency would be authorized to enter into a trust agreement with Federal National Mortgage Association, under which it would:

-- set aside on its books certain of its loans;

-- subject them to a trust; and

-- for purposes of the trust, guarantee payments of principal and interest collections on the loans.

The bill would permit the substitution of other loans in the event of default or likely default on any of the loans subjected to the trust agreement. In addition, the lending agency would be authorized to guarantee the loans subject to trust. It would fulfill the guarantees, if necessary, by using any appropriated funds or other funds available for the general purposes of the programs to which the entrusted loans were related.

As it has already done for Veterans Administration and Federal Housing Administration mortgage loans, FNMA in its role as trustee, would issue and sell participations, either through an underwriting group or other suitable means. The participations would be based on the pooled obligations and on the right to receive principal and interest collections from those obligations.

FNMA would also, in its corporate capacity, guarantee all payments due on the participation certificates. For the purpose of making timely debt service payments, FNMA would be authorized to borrow from the Treasury under the procedures provided in the Federal National Mortgage Association Charter Act (subsection (d) of section 306).

Because of the right of substitution and the lending agency guarantee, it is not anticipated that either the FNMA guarantee or the Treasury borrowing authority would be utilized. Further, FNMA could not draw on the Treasury in any way to increase its programs or those of participating agencies.

The purpose of the FNMA guarantee and drawing authority would be to provide additional safeguards which would help to assure the most favorable market reception for the participation certificates and hold down the interest rates at which they could be sold.

Proceeds from the sale of participation certificates would become available for new loans only to the extent that existing law authorizes such new loans.

The Act would require that pooled loans generate sufficient income to meet the payments due on the participation certificates. The only exception would occur when an agency was authorized, in an appropriation act, to include obligations bearing submarket interest rates. In that event, an appropriation would be established on the books of the Treasury sufficient to enable the lending agency to pay to Federal National Mortgage Association, as trustee, the amount of the deficiency.

While title to the pooled loans would pass to Federal National Mortgage Association in trust, the lending agency would continue to maintain custody and service of the loans. Borrower payments on the pooled loans would be paid periodically to Federal National Mortgage Association, to be applied toward payments becoming due on the participation certificates.

Any collection receipts in excess of the amounts needed to assure payment on the participation certificates would be returned to the lending agency after deduction of Federal National Mortgage's handling cost. Any additional expenses would be paid by the lending agency from appropriated funds or other available amounts related to the programs from which the pooled loans were drawn.

The participation certificates would be freely transferable. They would be lawful investments and could be accepted as security for all trust, fiduciary, and public funds of which the investment or deposit is under the authority and control of the United States or any of its offficers.

National banks would be authorized to deal in the participation certificates and also to purchase them for their own account. The participation certificates would be eligible as collateral for Treasury Tax and Loan Accounts.

The bill also provides for the withdrawal of loans from pools and the substitution of other loans, in case of liquidation of assets because of prepayments or defaults, and in order to release assets for direct sales.

6.

TREASURY DEPARTMENT

WASHINGTON, D.C.

III.

PARTICIPATION SALES ACT OF 1966 AND FEDERAL FINANCIAL MANAGEMENT

A primary objective of the Participation Sales Act of 1966 is to provide for more orderly and economic marketing of Federal financial assets to the private investment sector.

The bill provides for the orderly sale of participation certificates in pools of loans originated by various Federal credit agencies. The sales would be accomplished through the already established and proven facilities of the Federal National Mortgage Association, serving as trustee.

FNMA has already conducted a number of successful participation sales under the authority contained in the Housing Acts of 1964 and 1965. It has excellent relationships in financial markets.

It would be needless duplication of effort to develop this kind of experience, staffing, and competence in other Federal agencies. It would be costly to pay the premium necessary -- in terms of higher interest charges -- while these agencies gained thorough acceptance in financial markets.

The sale of participation certificates through FNMA would also assure the essential coordination of asset sales by different agencies. Agencies marketing their own assets run the risk of interfering with similar efforts on the part of sister agencies. All are marketing an essentially similar product -- an obligation backed by the Federal government.

Coordinated offerings through FNMA would mean that market offerings could be timed and adapted in other respects to minimize interest cost, maximize marketability, and in general gain the greatest benefit from this technique for drawing private investment funds into Federal credit programs.

The bill would also assure the most effective coordination of participation sales operations with the Treasury's debt management operations.

The Treasury has long-established and excellent working relations with FNMA in coordinating market operations with overall debt management policy. Although similar arrangements have been and could be established with other agencies, the coordinating job would become increasingly complex and would require unnecessary staffing and other administrative costs.

The problems of scheduling a large number of separate agency issues to avoid market congestion and to minimize the cost to the government would be both formidable and unnecessary. Difficulties in timing and coordination would be compounded during periods of rapidly changing market conditions, leading to possible disruption of needed credit programs.

The participation instrument itself, as compared with the outright sale of Federal loans, provides significant additional marketing flexibility. Thus it would insure that Federal agency assets would be more readily saleable at minimum interest rates.

The participation technique, in effect, converts obligations of relatively narrow market acceptability into obligations of broad marketability which are attractive to a wide variety of purchasers -- banks, insurance companies, pension funds, and other institutional investors. Since the FNMA participations have already gained broad acceptance in the market, it makes sense to build on FNMA's experience.

Since the government bears the risk in these credit programs, it should not have to pay premium interest rates to private investors merely because of superficial differences among various Federal agency operations or because of market unfamiliarity with the value of the underlying guarantee.

The Participation Sales Act of 1966 is a recognition of and response to the growing size and complexity of Federal credit program financing operations and the need for coordinating those operations with the overall financial activities of the Federal government.

IV.

THE COST OF THE PARTICIPATION SALES PROGRAM

As with all investments competing for available funds in the private capital market, the rates required for participation sales will fluctuate from time to time in accordance with changing capital market conditions.

The most recent sale of FNMA participations -- an issue of $410 million -- was sold to the public at rates ranging from 5¼ percent to 5½ percent, depending upon the maturities involved. These rates, due to the tighter money market situation prevailing at the time of sale, were higher than in previous participation sales. Rates on participation sales have been as low as 4.10 percent, in October 1964.

The important point is that, in terms of prevailing market conditions, offerings of participation certificates generally have been well received by investors.

Compared with alternative means for selling assets, FNMA participation sales have attracted a wide variety of purchasers, including pension funds, insurance companies, commercial and mutual savings banks, and other institutional investors.

The inherent flexibility in the participation sales technique makes it possible to tailor the issues to market demands to a greater extent than would be possible with direct loan sales by agencies. Moreover, the widespread appeal of the participation certificates permits tapping the most readily available funds in the capital market at the lowest possible rate

Clearly, direct sales of Federal financial assets would generally involve much higher interest rates that would sales of participation certificates of the type authorized in the proposed Act.

Participation certificates carry somewhat higher rates than Treasury obligations of comparable maturity. But this is a small price for the advantage of attracting private investors to Federal credit programs, and avoiding the large budgetary drain that would result if means were not developed to move Federal financial assets back into the private sector.

With the security provided through the substitution provisions, agency guarantees, the FNMA guarantee, and the FNMA borrowing authority from Treasury, rates on participation certificates are close to the most favorable rates that can be obtained in the market. The rates are expected to move even closer to the rates on direct Treasury obligations as the program increases in volume, as greater market familiarity is achieved, and as secondary trading develops.

V.

MAINTENANCE OF CONGRESSIONAL CONTROL

The Participation Sales Act of 1966 would maintain existing Congressional controls over Federal credit program activities.

Two broad controls are included in the Act. First, authority to use funds from the sale of participations in order to make new loans would be limited.

The funds could be used to make new loans only to the extent that the agencies involved are already authorized by the Congress to make such new loans. That is, the bill provides that the proceeds from the sale of participations must be dealt with as existing law requires for proceeds from sales or repayments of the loans.

Second, in the case of loans carrying relatively low interest rates, an added measure of Congressional review is provided. An appropriation act would be required to make up any prospective deficiency between earnings on the loan portfolio and requirements for servicing the participation certificates.

The manner in which Congressional control would be maintained or strengthened under the proposed legislation is best illustrated by reviewing certain specific areas which would be included under the asset sales program in fiscal 1967.

1. The Small Business Administration is subject to an over-all limitation on the amount of loans which it may have outstanding at any time. Recently, in testifying on a bill that would enable SBA to set up pools of loans and sell certificates of participation in those pools through FNMA, Mr. Ross Davis, Acting Administrator of SBA, stated that all loans subjected to the pool would continue to count against the agency's maximum authorization.

As stated by Mr. Davis: "SBA loans placed in the participations pool would continue to count against these program limits until repaid. Accordingly, any funds raised by SBA through participation sales could not be utilized for additional loans except as permitted by these statutory authorization limits, which can only be raised by Congressional action. The Congress and the Banking and Currency Committees would by this means continue to fully control the growth of SBA lending programs."

2. The Community Facilities Administration in the Department of Housing and Urban Development administers two loan programs which would be affected by the participation sales legislation: the College Housing Loan Program and the Public Facilities Loan Program.

With regard to the College Housing Loan Program, the Housing Act of 1965 had the effect of establishing a maximum 3 percent lending rate in this program. This is substantially below market interest rates now prevailing for any type of security on which income is subject to Federal tax. (And it may be noted that income from participation certificates to be issued under the legislation would be subject to Federal tax, whatever the nature of the underlying obligations.) Consequently, under current market conditions, the inclusion of college housing loans in participation pools would require specific authorization in an appropriations act, since the bill provides that no pool may be established unless there is a reasonable probability that interest receipts will cover the servicing of participation certificates, or unless the amount of certificates to be issued is authorized in advance by an appropriation act of Congress to make up the difference between interest cost and earnings.

Congressional control over the Public Facilities Loan Program would operate in the same manner, since the lending rates under this program are also relatively low. At current market rates, an appropriation act of the Congress would be needed to be able to set up a pool of these loans and sell participation certificates in them.

3. The Office of Education Academic Facilities Loan Program would be put on a revolving fund basis by the proposed bill. The bill also provides, however, that "the total of any loans made from the fund in any fiscal year shall not exceed limitations specified in appropriation acts." Consequently, the Congress would retain control of new loan activity, even though the program was shifted to a revolving fund basis.

4. The Farmers Home Administration rural housing and other direct loan programs are already subject to the same limitations on new loan activity as would be provided by the bill for the Academic Facilities loan program.

The bill would also extend the limitation to loans under Section 8 of the Watershed Protection and Flood Prevention Act, as amended, and Section 32(e) of the Bankhead-Jones Farm Tenant Act, in amounts, "not to exceed any existing appropriation or authorization limitations and in such further amounts as the Congress from time to time determines in appropriations Acts." The limitation in the Rural Housing Direct Loan account is substantially the same; this is, "The Account shall remain available ... for direct loans and related advances ... in such amounts as are now authorized by law and in such further amounts as shall be authorized in appropriations acts."

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FOR RELEASE AT 12 NOON (EST) April 20, 1966

Office of the White House Press Secretary

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THE WHITE HOUSE

THE WHITE HOUSE TODAY MADE PUBLIC THE FOLLOWING LETTER FROM THE PRESIDENT ADDRESSED TO THE PRESIDENT OF THE SENATE AND TO THE SPEAKER OF THE HOUSE OF REPRESENTATIVES

April 20, 1966

Dear Mr. President: (Dear Mr. Speaker:)

I have the honor to transmit "The Participation Sales Act of 1966". This important legislation is designed to forward our objective of substituting private for public credit.

For many years the Federal Government has carried on lending programs to finance essential activities which would not otherwise receive adequate financial support. Under these programs direct loans are made to help the farmer, the businessman, the home buyer, the veteran, the student, our colleges, and our schools. As of June 30, 1965, the volume of these Federal loans exceeded $33 billion.

Desirable as these activities are, Federal lending neither can, nor should, shoulder the entire job.

Under our system of free enterprise it is far better for the Government to mobilize private capital to these ends.

And it is far better for the Government to stimulate and supplement private lending rather than to substitute for it.

To do this, we sell Federal loans directly, or in some cases, sell "participations" in pools of loans, to private investors. The Government acts as both middleman and underwriter for the loans, assuring adequate and economical financing for desirable projects while at the same time attracting the maximum participation of private investors.

This substitution of private for public credit provides sound financing for worthwhile projects with a minimum of Federal participation.

In encouraging private participation in Federal credit programs, I am building on the outstanding work begun and carried forward by:

-- President Eisenhower's Administration;

-- The 1958 Commission on Money and Credit, chaired by Frazar B. Wilde and of which Secretary of the Treasury Fowler and many other distinguished citizens were members;

-- President Kennedy's 1962 Committee on Federal Credit Programs, under the Chairmanship of former Secretary of the Treasury Dillon.

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The substitution of private for public credit has many advantages:

-- It makes more effective use of the taxpayers dollar.

-- It offers the private investor an opportunity for sound investment and a fair return.

-- It benefits business and those of our citizens who are helped by the vital programs made possible both by Federal and private investment.

In this fiscal year we expect to replace a total of $3.3 billion in public credit with private credit. In fiscal 1967, with the help of legislation such as the proposal I am submitting today, we believe that private credit can be substituted for public credit, advantageously to all concerned, in the amount of approximately $4.7 billion.

As private credit is introduced on an increasing scale, the need to coordinate the sales of Federal loans also increases. It would defeat the purpose of improving the operation of the credit market if loans offered under particular programs interfered with each other or with the orderly financing of the public debt through the sale of Treasury securities.

The Participation Sales Act of 1966 will help solve this problem in two important respects.

First, instead of the Government making a number of relatively small and uncoordinated offerings of loans in the market, the Act provides for pooling many loans together and selling participations in the pool.

The pooling of mortgages and loans and the sale of participations in the income and repayments from loans in the pool is not new. It has been used to advantage over the past several years by the Export-Import Bank, the Veterans Administration, and the Federal National Mortgage Association.

Second, this legislation would extend the pool participation technique to other lending programs, including:

-- Farmers Home Administration;

-- Office of Education;

-- College Housing;

-- Public Facilities Loans;

-- Small Business Administration.

The pool technique adopted by this legislation has a number of advantages:

-- It assures the Government the best possible return on the sales of financial assets;

-- It provides the investor with a widely accepted and highly desired asset;

-- It provides a means for attracting private participation in loans made with relatively low interest rates for special purposes;

-- It reaches sources of capital which would not be available for loans or mortgages offered individually, thus widening the reservoir of credit for vital projects.

The proposed legislation has two other major provisions.

1. Rather than have each of the Agencies concerned conduct their own separate sales programs, the sale of participations would be centralized in a single agency -- the Federal National Mortgage Association. This agency has already built up extensive experience with this technique in its mortgage pooling operations.

Individual agencies would continue to administer their credit programs, but the pooling of credits and sales of participations in the pools would be handled by the Federal National Mortgage Association. This centralization will greatly increase the efficiency of the sales operation and help coordinate this program with the Treasury's debt management operations.

2. In many cases the Congress has established Federal credit programs in which the interest rate charged to the borrower is below the market rate. The difference represents a net charge to the taxpayer. The Act provides that, in all such cases, the Appropriations Committees of both Houses must authorize in advance the amounts of participations which could be sold against these assets. In this way, the safeguards of the annual appropriations process can be applied to this aspect of the program.

The Participations Sales Act of 1966 will permit us to conserve our budget resources by substituting private for public credit while still meeting urgent credit needs in the most efficient and economical manner possible.

It will enable us to make the credit market stronger, more competitive, and better able to serve the needs of our growing economy.

But above all, the legislation will benefit millions of taxpayers and the many vital programs supported by Federal credit. The Act will help us move this Nation forward and bring a better life to all the people.

I am enclosing a joint memorandum from the Secretary of the Treasury and the Director of the Bureau of the Budget which discusses in detail the major features of this legislation.

I urge speedy enactment of this legislation.

Sincerely,

LYNDON B. JOHNSON

Honorable Hubert H. Humphrey
President of the Senate
Washington, D. C.

Honorable John W. McCormack
Speaker of the
House of Representatives
Washington, D. C.

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Attachment to the President's letter of April 20, 1966 addressed to the President of the Senate and to the Speaker of the House of Representatives:

April 19, 1966

MEMORANDUM FOR THE PRESIDENT:

This memorandum was prepared to provide you with background concerning the "Participation Sales Act of 1966." We recommend that you transmit the legislation to the Congress.

The proposed legislation is designed to implement your recommendation in the Budget Message relating to the substitution of private for public financing in various Federal credit programs. Specifically, the draft bill would provide for a coordinated program, through the Federal National Mortgage Association, of sales of participations in pools of financial assets held by various Federal agencies.

The basic purpose of the proposed legislation, as indicated, is to encourage the substitution of private for public credit in various major Federal credit programs. Given the desirability of drawing in greater private participation in the Federal credit programs, the sale of interests in pools of assets is the most satisfactory and economical means that has been devised to meet this end. The program of asset sales also facilitates the efficient use of budgetary funds.

The technique now proposed for sales of assets have evolved gradually during the past three Administrations, stretching back in time to the mid-1950's. Both the Commission on Money and Credit, which produced its distinguished report in 1961, and President Kennedy's Committee on Federal Credit Programs, which was chaired by Secretary Dillon, recommended that vigorous efforts should be made to encourage private participation in Federal credit programs. A similar point was made in a minority report of the House Ways and Means Committee in 1963, which urged an expansion of the Federal Government's asset sales.

A guiding principle of these programs is that Federal credit should supplement or stimulate private lending rather than substitute for it. This is a matter of basic economic philosophy, as well as a recognition of the fact that the private market should, and will, continue to account for the bulk of all credit extensions.

Federal credit programs, working through the private market, help to make the market stronger, more competitive, and better able to serve the economy's needs over the long-term, than if the Federal credit programs unnecessarily pre-empted functions that private lenders could perform effectively. In addition, use of private market facilities frequently can ease the problem of administering Government programs and make Government aid, where appropriate, more available to potential borrowers.

Carrying through these principles and recommendations, increased emphasis has been placed in recent years on greater use of Government guarantees of private credit and on direct sales of individual Government loans to private lenders. More recently, sales of individual loans have been supplemented by pooling large numbers of loans and selling certificates of participation in such pools.

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By the use of this efficient technique, the Export-Import Bank of Washington has been able, since 1962, to sell about $1.7 billion of its direct loans which otherwise might not have been marketable. The Federal National Mortgage Association, acting as trustee under authority granted by the Housing Act of 1964, has been able to sell $1.6 billion of participation certificates (including their current offering) in pools of housing mortgage loans set aside by its management and liquidation and special assistance functions and by the Veterans Administration.

Even with these major efforts to draw on private credit, the volume of direct Federal loans outstanding has increased in recent years. It was $25.1 billion on June 30, 1961 and $33.1 billion on June 30, 1965. The estimated level for June 30, 1966 is $33.3 billion assuming completion of the sales indicated in the latest budget document. Under the proposed program of asset sales, the volume of direct Federal loans outstanding would decline to $31.5 billion on June 30, 1967.

The increase in asset sales largely arises from broadening the program, as proposed in your 1967 budget, to include sales of participations in assets of the Farmers Home Administration, the Office of Education, the College Housing Program, the Public Facility Loan Program and the Small Business Administration.

The centralization of the participation sales activity in FNMA, by building on an already successful body of market experience, will help to assure the orderly and most economical sale of this paper.

It will also assure the effective coordination of these offerings, not only with one another but also with the Treasury's own debt management operations. The alternative of having each of the agencies involved conduct its own sales operation would greatly complicate the coordination problem, would produce a wasteful duplication of efforts, and would result in a less effective and more costly operation for the Federal Government. Under the guidance of FNMA, the asset sales undertaken for newer programs, less well known to the market, would gain the benefit of seasoning and experience that has been built up already through the FNMA operations.

Another advantage of the pool arrangements goes back to the fact that a number of sound Federal loans carry interest rates significantly below levels at which private lenders would be willing to invest their funds in the present market. These rates, in many cases, have been written into the legislation setting up the programs. While the relatively low rates do not make the loans any less sound, these rates do mean that such loans could be sold directly to private investors only at substantial discounts.

The proposed legislation would make it possible to include such loans in marketable pools by providing, in effect, means for the agency owning the loans to make supplementary payments to the trustee of the pool to cover the interest insufficiency. The supplementary payments would be subject to the effective approval of the Appropriations Committees since these Committees would authorize the amounts of any issues of participations on which supplementary payments are likely to be required. Section 2(b)(4) of the bill specifically provides that the amount of any such participation issues be within aggregate principal amounts authorized in advance in Appropriation Acts.

A further advantage of the pool arrangements is in their ability to draw into the financing of public credit programs practically all sectors of the capital markets. Many segments of the market cannot deal in individual mortgages. Other sectors are not able to purchase individual business or college housing loans. But almost all segments of the market are potential investors in pool certificates. Two consequences flow from this: first, the market for a number of particular types of credit instruments is substantially broadened; and second, sales of participations do not disrupt particular segments of the capital markets, as might be the case if the mortgages or loans were sold individually.

It has been pointed out on some occasions that the sale of Federal credit program financial assets, whether through participation certificates or other means, is more expensive than financing through the direct issue of Treasury obligations. This is true, although the cost difference has proved to be relatively minor. For example, FNMA participation certificates have been sold at rates roughly 1/4 of 1 percent above Treasury issues of comparable maturity; and it is entirely possible that the margin may diminish as the market gains experience with these high-quality credits.

Moreover, carried to its logical conclusion, this argument would have the Treasury financing directly all of the Federal insurance and guarantee programs, since it can obviously do this more cheaply than the private market. Other types of credit, now handled entirely in the private market, could also be financed more "cheaply" by the U. S. Treasury. We certainly wish to retain, however, the principle that the allocation of credit for essentially private purposes should be a function of the private market. That was the philosophy of the Commission on Money and Credit and of the President's Committee on Federal Credit Programs. It is a sound philosophy, and I believe we should continue our efforts to strengthen the private market as a means for achieving program objectives with a minimum of Government interference.

For the reasons stated above, we recommend that you transmit the attached bill to the Congress and urge its speedy passage.

Signed:
Henry H. Fowler
Secretary of the Treasury

Signed:
Charles L. Schultze
Director, Bureau of the Budget

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TREASURY DEPARTMENT

WASHINGTON, D.C.

April 20, 1966

)R IMMEDIATE RELEASE

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders ›r two series of Treasury bills to the aggregate amount of !,300,000,000, or thereabouts, for cash and in exchange for ·easury bills maturing April 28, 1966, in the amount of ·,302,146,000, as follows:

91-day bills (to maturity date) to be issued April 28, 1966, the amount of $ 1,300,000,000, or thereabouts, representing an ditional amount of bills dated January 27,1966, and to ture July 28,1966, originally issued in the amount of ,000,239,000, the additional and original bills to be freely terchangeable.

182-day bills, for $ 1,000,000,000, or thereabouts, to be dated ril 28,1966, and to mature October 27, 1966.

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

Tenders will be received at Federal Reserve Banks and Branches to the closing hour, one-thirty p.m., Eastern Daylight Saving ıe, Monday, April 25, 1966. Tenders will not be eived at the Treasury Department, Washington. Each tender must for an even multiple of $1,000, and in the case of competitive ders the price offered must be expressed on the basis of 100, h not more than three decimals, e. g., 99.925. Fractions may not used. It is urged that tenders be made on the printed forms and warded 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 tomers provided the names of the customers are set forth in such ıers. Others than banking institutions will not be permitted to nit tenders except for their own account. Tenders will be received ıout deposit from incorporated banks and trust companies and from ›onsible and recognized dealers in investment securities. Tenders n others must be accompanied by payment of 2 percent of the face ınt of Treasury bills applied for, unless the tenders are ›mpanied by an express guaranty of payment by an incorporated bank ;rust company.

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Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for each issue for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on April 28,1966, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 28,1966. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT

Statement of Secretary Fowler
before the
Senate Treasury Subcommittee on Appropriations
on the Treasury Department Appropriation Bill
for the Fiscal Year 1967

APR [illegible]

Mr. Chairman and Members of the Treasury Subcommittee on Appropriations, it is a privilege to appear before you this morning as the first witness in support of the 1967 budget requests of the Treasury Department. Representatives of each of the Treasury bureaus, whose many important functions are included in the 1967 Treasury budget, are with me and at your pleasure will appear before you to explain their requests.

In House Report No. 1412 the House Committee on Appropriations reported the bill H.R. 14266 making appropriations for the Treasury Department for fiscal year 1967. The bill as passed by the House on April 6, 1966, provides regular annual operating appropriations of $1,371,999,000--$14,229,000 below the budget estimates submitted by the President. Reductions were made in the requests of six appropriations, the principal ones being in Salaries and Expenses, Bureau of the Mint ($5,000,000), and Compliance, Internal Revenue Service ($7,845,000). A table which compares the 1966 appropriation, including supplementals, and the 1967 President's Budget with the amounts recommended in the House Bill for 1967, has been provided your Committee and I would like to make it part of the record at this point. I would also like to offer for the record a copy of the letter of Acting Secretary Barr of April 8, 1966, to the Chairman of this Subcommittee, stating the House actions which we wish to appeal. Further, I would ask to present for the record a copy of my statement on the Treasury appropriation requests which was prepared for this Committee and the House Committee and was presented to the House Committee.

Although reductions have been made by the House in six appropriations, and these reductions total $14,229,000, we are requesting restoration of

TREASURY DEPARTMENT
Comparative Statement of 1967 House Allowances
and 1967 Budget Estimates
(Dollars in thousands)

Bureau and Appropriation	1966 Appropriations (Adjusted) 1/		1967 Budget Estimates		Recommended in House Bill for 1967		Bill Compared with 1967 Estimates		Bill Compared with 1966 Appropriation		Restoration Requested	
	Av. Pos.	Amount	Av. Pos.	Amount	Av. Pos.	Amount	Av. Pos.	Amount	Av. Pos.	Amount	Av. Pos.	Amount
Regular Annual Operating Appropriations:												
Office of the Secretary ----------------	535	$6,418	557	$6,999	557	$6,900	---	-$99	22	$482	---	---
Bureau of Accounts --------------------	1,475	33,500	1,427	32,988	1,427	32,988	---	---	-48	-512	---	---
Bureau of Customs ---------------------	8,242	84,231	8,384	86,189	8,384	85,793	---	-396	142	1,562	---	---
Bureau of the Mint:												
Salaries and Expenses ----------------	2,105	21,210	2,989	31,500	2,205	26,500	-784	-5,000	100	5,290	---	---
Construction of Mint facilities ------	---	22,300	---	---	---	---	---	---	---	-22,300	---	---
Bureau of Narcotics -------------------	455	6,028	459	6,138	459	6,138	---	---	4	110	---	---
Bureau of the Public Debt -------------	2,559	51,690	2,537	51,894	2,537	51,894	---	---	- 22	204	---	---
U.S. Coast Guard:												
Operating Expenses (Military) --------	31,677	293,394	33,949	322,197	33,949	321,400	---	-797	2,272	28,006	---	---
(Civilian) --------	3,638		3,935		3,935		---		297		---	---
Acquisition, Construction, and												
Improvements (Military) ------------	131	115,510	145	103,000	145	103,000	---	---	14	-12,510	---	---
(Civilian) ------------	196		225		225		---		29		---	---
Retired Pay --------------------------	---	41,000	---	44,250	---	44,250	---	---	---	3,250	---	---
Reserve Training (Military) ----------	1,028	23,550	1,041	24,031	1,041	24,031	---	---	13	481	---	---
(Civilian) ----------	180		180		180		---		---		---	---
Total, U.S. Coast Guard (Military)	32,836	473,454	35,135	493,478	35,135	492,681	---	-797	2,299	19,227	---	---
(Civilian)	4,014		4,340		4,340		---		326		---	---
Internal Revenue Service:												
Salaries and Expenses ----------------	1,436	17,959	1,474	18,692	1,474	18,600	---	-92	38	641	---	---
Revenue Accounting and Processing ----	20,485	163,072	21,546	169,529	21,546	169,529	---	---	1,061	6,457	---	---
Compliance ---------------------------	42,019	448,059	43,221	467,845	42,652	460,000	-569	-7,845	633	11,941	---	$3,000
Total, Internal Revenue Service --	63,940	629,090	66,241	656,066	65,672	648,129	-569	-7,937	1,732	19,039	---	3,000
Office of the Treasurer ----------------	797	6,410	793	6,348	793	6,348	---	---	-4	-62	---	---
U.S. Secret Service 2/------------------	1,161	14,357	1,201	14,628	1,201	14,628	---	---	40	271	---	---
Total, regular annual operating appropriations												
(Military) --------------	32,836	---	35,135	---	35,135	---	---	---	2,299	---	---	---
(Civilian) --------------	85,283		88,928		87,575		-1,353	---	2,292	---	---	---
(Total) -----------------	118,119	1,348,688	124,063	1,386,228	122,710	1,371,999	-1,353	-14,229	4,591	23,311	---	3,000

1/ Adjusted to reflect supplementals included in H.R. 14012 and to reflect organization transfers from several bureaus to the Office of the Secretary of Law Enforcement Coordination functions and of functions related to the Office of the Director of Practice.

2/ Includes funds for the White House Police and Guard Force.

April 14, 1966
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only $3,000,000 in one appropriation--Compliance, Internal Revenue Service. This appropriation suffered one of the two principal cuts--$7,845,000.

Salaries and Expenses, Bureau of the Mint

Before we discuss that, however, I would like to say a word about the other large reduction to which I have referred--that of $5,000,000 for the Bureau of the Mint which we are not appealing.

As you know, the President's Budget request for the Bureau of the Mint was $31,500,000 and planned production was for 15.1 billion coins. The current bill provides $26,500,000 for 13.1 billion coins. A review of the coin production schedules and the demand patterns of fiscal year 1966 revealed that production levels previously estimated were not possible because of delays in the deliveries of clad strip needed to make the new coins and were not necessary in the case of five-cent pieces because of reduction in demand for that denomination. Accordingly, production estimates were revised and $5,140,000 of the appropriation was made available for application to pay increase costs of other bureaus. The 1967 coinage program was also restudied and the lower demand for five-cent coins was projected into 1967. A 2-billion-coin decrease in production is planned. This coupled with favorable cost experience in producing twenty-five cent pieces will enable us to reduce funds requirements by $5,000,000. Unless unforeseen demands arise, we will be able to operate within the funding level of the House bill.

Compliance, Internal Revenue Service

The one action of the House which we have felt it necessary to appeal is that of the $7,845,000 reduction in the appropriation request for

Compliance, Internal Revenue Service. After my comments regarding this appeal, Mr. Sheldon Cohen, Commissioner of Internal Revenue, is here this morning to explain in such detail as you may wish, the reasons why a $3,000,000 portion of the House reduction should be restored. I would like to say, however, that the President's Budget estimate for the Internal Revenue Service for 1967 provided a net increase of $6,054,000 to maintain current staff levels (a large part of which was for the cost of pay increases) and $12,732,000 to add 1,202 man-years of employment to meet the increasing workload resulting from growth of the population and economy. In that budget estimate we made no provision to increase the proportion of returns audited or to intensify our efforts to obtain delinquent returns and payments. We took into account enforcement benefits which are being derived from application of the ADP Master File system and in preparing the estimate we reduced the indicated need for additional manpower and funds to keep up with growth of workload by over 1,300 man-years and $12 million in anticipation of increased productivity of the work force. This was done without making any reduction in revenue production goals. The House Committee has reduced our manpower request of 1,202 man-years to 633 man-years of additional employment.

In the light of the House Committee's concern over the continued growth of enforcement staff, we have concluded not to request employment above the level recommended by that Committee. We have determined, however, as Mr. Cohen can explain in the detail you desire, that the funds allowance approved by the House will not be sufficient to the extent of $1.8 million to provide the supporting costs for travel, materials and facilities needed for the 633 man-years granted. Without restoration of the $1.8 million we cannot expect to realize even this reduced employment to cope with the increased tax workload. In addition, a new factor has entered the budget picture for which provision must be made. In the recruitment of high quality personnel with accounting training, such as needed for revenue agents, competition with industry is requiring that higher entrance levels be offered. The cost of the higher entrance levels in 1967 is estimated to be $1.2 million and we have added this requirement to the $1.8 million restoration requested to support the additional personnel provided by the House bill. The total of these two items is $3,000,000. This modest request has my fullest support.

Through program adjustments we will do our best to operate within the amounts provided in the House bill for the other appropriations in which reductions were made. However, if we find that we cannot manage the actual workload requirements as they develop in fiscal year 1967, it may be necessary to return for supplemental funds.

Conclusion

This completes my statement on the Treasury appropriation requests. Representatives of the bureaus concerned are prepared to appear before you to explain their programs in greater detail; and I am at your disposal to answer any questions that you may have.

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 20, 1966

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 April 30, 1966, in the amount of $1,001,162,000, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated April 30, 1966, and will mature April 30, 1967, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches ıp to the closing hour, one-thirty p.m., Eastern Daylight Saving ime, Tuesday, April 26, 1966. Tenders will not be received at the reasury Department, Washington. Each tender must be for an even ultiple of $1,000, and in the case of competitive tenders the rice offered must be expressed on the basis of 100, with not more han three decimals, e. g., 99.925. Fractions may not be used. Notwithstanding the fact that these bills will run for 365 day, he discount rate will be computed on a bank discount basis of 360 ays, as is currently the practice on all issues of Treasury bills.) t is urged that tenders be made on the printed forms and forwarded n the special envelopes which will be supplied by Federal Reserve anks or Branches on application therefor.

Banking institutions generally may submit tenders for account of ıstomers provided the names of the customers are set forth in such enders. Others than banking institutions will not be permitted to ıbmit tenders except for their own account. Tenders will be ceived without deposit from incorporated banks and trust companies ıd from responsible and recognized dealers in investment curities. Tenders from others must be accompanied by payment of percent of the face amount of Treasury bills applied for, unless e tenders are accompanied by an express guaranty of payment 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 announcent 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 May 2, 1966, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 30, 1966. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT
Washington

FOR RELEASE UPON DELIVERY

REMARKS BY THE HONORABLE HENRY H. FOWLER
BEFORE A
DINNER MEETING OF THE APPLETON CHAMBER OF COMMERCE
AT THE TERRACE MOTOR INN, APPLETON, WISCONSIN
THURSDAY, APRIL 21, 1966, 6:30 P.M., CST

Both as Under Secretary of the Treasury and now as Secretary I have tried to make it a practice, in dealing with the great economic issues that have come before the nation, to do all I can to avoid the paths of narrow partisanship and, instead, to help open new and broader avenues for bipartisan cooperation in achieving national economic objectives on which there is general agreement.

So I feel that by being here tonight in Appleton, where I have been told one can stand on the main street corner for weeks and never catch sight of a Democrat, I am carrying on the good work.

Indeed, it has been my pleasure and privilege during my years at Treasury to work very closely with distinguished Wisconsin representatives in Washington -- men of different political persuasions who have played large roles in shaping the important national economic and financial legislation enacted in recent years -- Congressman John Byrnes, who is the ranking minority member of the House Ways and Means Committee, and Senator William Proxmire, who is a member of the Joint Economic Committee of the Congress as well as of the Senate Banking and Currency Committee, and Congressman Henry Reuss, who is a member of the Joint Economic Committee and the House Banking and Currency Committee.

I know that this informed audience is thoroughly familiar with this economic and financial legislation of the past five years -- as well as with the policies of which they were so integral a part and with the unparalled economic progress to which they gave so great an impetus.

But engrossed as we all are with the imperative present need to avoid the danger of economic excess, we may sometimes tend to forget how deeply we were mired, five years ago, in economic doldrums and how difficult was the task that lay ahead.

The decade of the Sixties -- the "Soaring Sixties" some had predicted -- had scarcely begun when we fell into our fourth postwar recession. We looked back upon the decade of the Fifties and saw little to fire our hopes for the future. To look back, in fact, was only to become painfully aware that each of the three prior recessions had been followed by shorter and weaker recoveries, and that the previous recession had produced what still remains the largest peacetime budget deficit in our history. Unemployment was intolerably high -- 6.9 percent in February 1961, the recession trough. Business investment had for years failed to maintain anything like adequate levels of growth, and remained far less that we needed to generate more vigorous economic growth -- industrial plant and equipment, in February 1961, was operating at only 78 percent of capacity, compared to the optimum rate of 92 percent desired by most businessmen.

The question before us was how best to revive our economy and restore its capacity for strong and sustainable growth. We had essentially two choices: whether to increase government expenditures or to reduce taxes -- whether to rely, in other words, upon the renewed energies of the private sector or upon expanded government activity.

We chose, as you know, to reduce taxes and to restrain the growth of Federal expenditures, for we were firmly convinced that the private economy simply could not do its job unless it were sufficiently freed from the burden of excessively high wartime tax rates -- rates originally applied to restrain the strong inflationary pressures that accompanied wars and national emergencies.

Through the investment credit of 1962, the depreciation reforms of 1962 and 1965, the Revenue Act of 1964 -- and to some extent through the Excise Tax reductions of last year -- we moved to diminish the burden of wartime tax rates upon the private economy and thus to furnish it with renewed opportunity and fresh incentives to help meet our basic economic needs.

The results are familiar to us all: our real Gross National Product has risen without interruption and at an average annual rate of 5 percent since 1961. Our rapid rise in new industrial capacity has been matched by a sharp reduction in idle capacity. Our unemployment rate has fallen below 4 percent. Productivity has grown significantly -- and profits, incomes and wages have risen substantially.

But I come here today not to recite the brilliant economic success story of the past five years -- you know that story as well as I, for you like all Americans have been reading it over and over again in the glowing annual reports of our companies and corporations, in the fuller pay envelopes of our wage earners, in the higher standard of living enjoyed by nearly all Americans.

I come to discuss a far less familiar, if extremely important, accomplishment of the past five years -- the quiet but crucial revolution that has occurred in Federal expenditure control policy.

There has been intensive public discussion of the part that tax policy can play in stimulating or restraining economic activity. Indeed, I think it impossible to overestimate how far the tax discussion and tax action of these past years has advanced our ability to forge a flexible and effective economic policy.

But in our intense concern with tax policy, we have ended to give very little emphasis to another aspect of iscal policy which has also emerged during these years -- refer to expenditure control policy.

Of course, the utilization of increased government xpenditures as a means of dealing with a recession or a agging economy has been one of the most discussed aspects of conomic policies over the years since the Great Depression. will not plough over that old ground here, although it still as important relevance to the future.

The new and more novel aspect of expenditure policy hich deserves increasing examination is public expenditure ntrol as an adjunct of fiscal policy. In at least two portant and identifiable ways, which I will discuss in the urse of this talk, the control of public expenditures can play an important role in stimulating economic growth without inflation or in restraining excessively exuberant growth when inflation threatens.

And I will also, of course, discuss the always important and basic objective of utilizing improved and more effective methods of public expenditure control to give the taxpayer a 100 cents value on every tax dollar expended and to assure that the public needs being served by that tax dollar are those which deserve the highest priority and result in the greatest benefits. In this sense, expenditure control is a continuing and primary responsibility of government.

Both from the increasing recognition of the importance of assuring stable and sustainable growth in the economy with reasonable price stability and from the increasing effort to assure that waste and inefficiency are curbed and that out of all of the competing public needs for the tax dollar the most deserving are served -- from these realizations of recent years has emerged what I have termed a quiet revolution in the processes of expenditure control.

That revolution had its roots in the decision to generate strong and steady economic growth by reducing Federal taxes rather than raising Federal expenditures. Indeed, tax reduction implied expenditure restraint, since it meant an initial and temporary lag in the growth of Federal revenues.

I do not mean to suggest that the policy of coupling Federal tax reduction with Federal expenditure restraint was the creature of only one branch of government, or of only one party -- or that it emerged in full, formal regalia in early 1961. For the notion of a program of expenditure restraint as an important and explicit part of a program of tax reduction was something that grew over time -- and in the development of which members of both parties in the Congress played a significant role. And no one made a more persistent and effective contribution to that development than your own Congressman, John Byrnes, in his position as ranking minority member of the House Ways and Means Committee.

As this audience undoubtedly remembers, the early '60's were scarcely propitious years for initiating a program of expenditure control: there was, for one thing, the urgent national need to raise our entire level of defense preparedness; there was, as well, the prospect of sizable increases in expenditures for expanding and accelerating our space program; and there was, inevitably, the rising cost of financing our national debt.

Over the first few years, therefore, we could not seek overall reductions in these areas of the budget, but we could -- and the record reveals that we did -- cut back on the rate of growth in all other expenditures of our budget.

In the fiscal 1961-1964 period, for example, Federal expenditures other than those for defense, space and interest on the national debt rose by some $4.3 billion, or by under 18 percent -- while over the previous three-year period, fiscal 1958-1961, under an Administration that prided itself on fiscal prudence, expenditures in these same areas grew by almost $4.9 billion, or by over 25 percent.

At the same time, we moved ahead with the first
hase of our overall program of tax reduction -- taking two
ignificant steps to spur new and more productive business
nvestment without entailing any large loss of Federal
evenues. These were the Revenue Act of 1962, whose key
rovision was the 7 percent investment tax credit, and the
dministrative liberalization of depreciation.

It was during the weeks and months of effort that
ent into shaping the Revenue Act of 1962 -- a joint
ffort exerted by both the Administration and the Congress --
hat the notion of coupling any massive program of tax
eduction with a rigorous program of expenditure restraint
egan to come into clearer and clearer focus. Indeed,
well remember the sometimes lengthy colloquies on this
bject between myself and other members of the Administration
d members of Congress of both parties -- including
airman Mills, Congressman Byrnes, and Congressman Curtis
f Missouri -- during discussions on the Revenue Act of 1962.

Thus, in proposing the tax program which found final
rm in the Revenue Act of 1964, President Kennedy pledged --
d I quote -- that: "As the economy climbs toward full
ployment, a substantial part of the tax revenue thereby
nerated will be applied toward a reduction in the Federal
ficit."

In all of my advocacy of that tax reduction measure, I
o tried to make clear that the policy proposed was a two-
onged one -- tax reduction and expenditure control.

For example, in my first public statement on the measure in February 1963 I said:

> "The program has two main elements: First, a substantial net reduction in federal taxes . . . . and; Second, as the tax cut becomes fully effective and the economy expands in response, the allocation of a substantial part of the resulting revenue increases toward eliminating the transitional deficit."

The Congress endorsed that policy when it declared, in Section I of the Revenue Act of 1964, that: "It is the sense of Congress that the tax reduction provided by this Act through stimulation of the economy, will, after a brief transitional period, raise (rather than lower) revenues and that such revenue increases should first be used to eliminate the deficits in the administrative budgets and then to reduce the public debt. To further the objective of obtaining balanced budgets in the near future, Congress by this action, recognizes the importance of taking all reasonable means to restrain Government spending....."

And President Johnson has more than redeemed that pledge by personally spearheading the most persistent and productive expenditure control effort ever witnessed in Washington.

And the results are remarkable. Federal expenditures for fiscal year 1964, when President Johnson assumed the responsibilities of the Presidency, were originally estimated at $98.8 billion. The expenditure target for fiscal 1966, the third year of his service was fixed in January of last year at $99.7 billion -- less than $1 billion higher than the original estimate for fiscal 1964.

Then, last July, events in Vietnam changed the picture -- requiring additional expenditures of some $4.7 billion. Other increases also occurred -- increases, both unforeseen and unavoidable, which totalled at net $2 billion. These included $740 million of military pay raises and an additional $288 million increase in veterans pensions voted by Congress in excess of Presidential recommendations a $500 million increase in interest charges on the debt and two further increases of $500 million each as a result of payments required by law under the space and agricultural programs. All of these increases -- which President Johnson could neither anticipate nor effectively control -- more than wiped out economies realized by both Administration and Congressional action since the original budget estimate for fiscal 1966. And in doing so they obscured one of President Johnson's truly extraordinary accomplishments -- the fact that, excluding these increases, President Johnson in nearly three years in office had held the total increase in administrative budget expenditures to less than $1 billion over the amount originally estimated for the fiscal year in which he assumed office.

Compare this with the average increase in the budget of $3 billion per year over the previous ten years. View it in the context of the report issued in January of 1961 by President Eisenhower's last Director of the Budget, Mr. Maurice Stans, which pictured the outlook for Federal expenditures over the next decade. That report concluded that rising population and income, and the resulting normal growth in the Federal workload, would tend to raise nondefense expenditures in the Federal budget by $2-$2½ billion a year throughout this decade. Look at what President Johnson has done against this background, and we begin to realize how really remarkable his accomplishment is.

Joined with rising Federal revenues from rising economic activity, the President's program of rigorous expenditure control has allowed us to meet urgent national needs while at the same time reducing the Federal deficit.

The record is clear: the 1964 budget submitted three ears ago forecast a deficit of $11.9 billion premised, in art, on major tax reduction. This figure was reduced to n actual fiscal 1964 deficit of $8.2 billion.

Last year's budget contained an estimated deficit for iscal 1965 of $6.3 billion. This was trimmed down to $3.4 illion.

The budget submitted in January of 1965 projected a $5.3 illion deficit for fiscal 1966. As of June 30, this stimate had been cut to $4.2 billion largely because revenues roduced by the vigorous response of our economy to the tax t exceeded our original estimate. Had it not been for the .6 billion of additional defense expenditures resulting from etnam in fiscal 1966, the higher revenues flowing from our burgeoning economy would either have eliminated or cut much further that estimated deficit for the current fiscal year.

Had it not, in fact, been for the increases projected for Vietnam expenditures in fiscal 1966 and fiscal 1967 since the 1966 budget was originally submitted last January, we could have used the fiscal dividends furnished by this continued expansion to balance the budget in fiscal 1967 and still have had room for some increases in civilian expenditures, or for additional tax reduction, or for some reduction of the national debt.

As a result of all these policies which have proven so productive, we now have the economic strength and the fiscal resources -- and the firm confidence these accomplishments more than justify -- to carry on the fight for freedom in South Vietnam without abandoning our efforts at home. This was the real significance of the President's announcement -- in his State of the Union Message -- that the enactment of all his recommendations will entail a deficit in the administrative budget for fiscal 1967 of only $1.8 billion -- the smallest in seven years -- and will give us a surplus of $500 million in the cash budget.

And this accomplishment is made all the more extraordinary by the fact that fiscal 1967 expenditures include an increase in the special costs of Vietnam of $10.4 billion over the fiscal 1965 level -- a $5.8 billion increase in fiscal 1967 on top of an increase of $4.6 billion in fiscal 1966.

Indeed, if you exclude the Vietnam program increase in both expenditures and revenues for fiscal 1967, the budget would show a rather tidy surplus of some $3-$4 billion.

There could be no better testimony to the unrelenting rigor of President Johnson's efforts to control Federal expenditures than his success in obtaining results like these in the face of such severe difficulties. The success of any such campaign -- as most of you in the audience know from your own business experience -- depends upon insistent, intensive leadership -- leadership that will allow for no let-up and that will accept nothing less than maximum efficiency and maximum economy -- leadership that requires constant and continual accounting from every responsible official on every program and every activity under his supervision. That is the kind of leadership that President Johnson continues to exert -- the kind of leadership that has instilled in every Federal employee at every level of responsibility an acute cost-consciousness, and that engages his best efforts to seek out new ways to do the job better at less cost.

But the revolution in expenditure control which I have been describing involves more than the creation, under Presidential leadership, of a climate of cost-consciousness throughout the Federal government. It involves the development, over the past few years, and the establishment, for the first time, on a government-wide basis of a whole new system of procedures, standards and techniques to furnish the kind of precise and pertinent data required for exercising intelligent control over Federal expenditures.

I will not now attempt to describe this system in any detail -- for the details are complicated and it would take too long. But I would like simply to cite some of its more salient features.

Under this system, for example, every Federal bureau, every Federal agency, every Federal department must furnish a detailed breakdown of all its activities and programs -- and expenditures for each of these -- in terms of priorities, and reflecting the most up-to-date methods of cost-benefit analysis -- which is simply a technical phrase that means making sure we're getting the most out of the taxpayer's dollar. What all this means, is that the President and the Budget Bureau in preparing the Budget -- and reviewing its operation throughout the year -- can decide to expand or curtail expenditures from authorized appropriations, or to request Congress to allow expanded or curtailed appropriations, not in terms of some arbitrary decision, but on the basis of a rational analysis of program priorities and program performance. It means that the President and the Budget Bureau have constantly at their fingertips the kind of information they need to exercise a greater measure of continual control over any proposed expansions in the levels of the budget. It means also that they have the same kind of information concerning lower priority programs that could be eliminated or reduced. It means that the entire budgetary process becomes far more than a exercise in numbers as it reaches into the realities behind those numbers -- as it involves a constant and close analysis, in detail, of individual programs and activities in terms of their objectives and their costs.

It means, in short, that expenditure control becomes something more than an ad hoc, random exercise -- something more than the imposition of arbitrary restrictions from without. Today, instead, expenditure control has become a built-in, on-going part of the entire operation of the Federal government -- continually at work as not merely a negative but a positive and creative factor in the continual effort to get the most out of every Federal dollar spent in terms both of effectiveness and efficiency and in terms of meeting our most urgent national needs. And today, far more than ever before, we are able to save where we can in order to spend where we must -- for today, far more than ever before, we are able to identify and isolate those areas where we can most profitably save as well as those areas to which we can most profitably allocate our expenditures.

We see the results of this system in the budget for fiscal 1967 -- a budget in which, by a process of selective increases and decreases, the President was able to hold down the total increase in all budget expenditures other than the increase in special Vietnam costs to only $600 million. This net increase of $600 million includes both some substantial increases and some substantial decreases. It includes increases of $3.2 for Great Society programs, $800 million for higher interest charges on the public debt, and $1.3 billion for unavoidable commitments such as construction already in progress. It includes decreases of $1.6 billion in defense outlays unrelated to Vietnam, $1.5 billion in savings through pruning lower priority programs, through management improvements and through the non-recurrence of certain costs, and $1.6 billion resulting from increases sales of mortgages and other financial assets and from the further substitution of private for public credit.

Thus, to talk about expenditure control solely in terms of expenditure totals is to tell only half the story -- for we receive the greatest benefits from the President's insistent emphasis on cost reduction and program evaluation in the urgent new programs it enables us to afford through savings on those of lesser urgency and through greater productivity in existing programs.

I can personally testify to the effectiveness of this new system -- and to the intensity of President Johnson's insistence upon expenditure control -- by citing some of the more recent developments in my own Department.

Last July, with the shadows lengthening over Vietnam, the President called two meetings in which he personally developed with me and other members of his Cabinet and the budgetary officers of each agency his intention to restrict low priority expenditures and elimate low priority programs.

On September 30 we submitted to the Bureau of the Budget our departmental estimates for expenditures in the fiscal year 1966. Shortly thereafter we received a Presidential request to hold expenditures to the absolute minimum and a Bureau of the Budget directive fixing an employment ceiling as of June 30, 1966.

As a result we identified $102.5 million of prospective reductions for the remaining portion of the 1966 fiscal year. This represented a reduction of almost 7 percent in our estimates in September and was the figure included in the President's 1966 budget expenditures when the 1967 budget was presented in January.

On March 15 of this year the President asked for a further review as the end of this fiscal year neared to make sure that there was no slippage. This review indicated that we would achieve only $90 million of our $102.5 million reduction target.

In late March another meeting of Bureau heads resulted in the identification of additional reductions of $13.7 million, bringing the total $1.2 million under the President's January estimates for fiscal 1966 and $103.7 million below the Department's September estimates.

I should add that our departmental operating budget for fiscal 1967 was fixed by the President at a figure which represented an increase of less than four percent, most of which represented the financing of activities transferred from the Navy to the Coast Guard and built-in pay increases. Expenditures will be held even by economies in certain bureausdespite work-load increases requiring increases in Internal Revenue, the Mint and the Coast Guard totalling approximately $46 million.

I do not, by all of this, mean to suggest that we have arrived at some infallible or automatic means of expenditure control. I mean only that we have entered upon whole new pathways to more effective, intelligent expenditure control. We have not eliminated -- and will never eliminate -- the necessity for hard decision on the part of the Administration, the Congress and the American people -- all of whom must participate in varying ways and degrees in any program of expenditure control.

We will still have to face the fact, for example, that here is no such thing as an "unpopular" Federal program. Any program that exists does so because somewhere, sometime, the Congress and the Executive thought it worth instituting -- and during its existence it has inevitably created its own often vocal and influential, if often small, constituency.

Last summer, the eminent Chairman of the House Appropriations Committee, Congressman George Mahon, made an excellent statement before the Joint Committee on the Organization of the Congress on the general problem of expenditure control. He was kind enough to send me a copy of that statement, and I took the liberty of sending him a few comments. I said in part, and I quote:

"One of the most obvious facts of political life is that the special interests are concentrated and strong while the general interest tends to be diffused and weak. I do not mean to imply that there is anything evil or sinister in "special interests." It is only natural for those who benefit from particular Federal expenditures to employ all possible political pressures to preserve them. We must therefore rely upon both the President and the Congress to protect the general interest even though this is exceedingly difficult.

"Despite the tremendous efforts of the President to hold down expenditures, I think it is generally agreed that he has done his best to recommend sufficient funds to carry out the broad range of valuable Government programs. Nevertheless as you pointed out Congress increased these recommended expenditure authorizations by over $5 billion. The money will undoubtedly go for popular purposes, but we obviously need some method of holding down the overall Federal spending level, especially when our defense requirements are growing as they are ....

"In the final analysis, however, we cannot escape the fact that popular and even desirable programs must be given very careful scrutiny. Certainly the poverty, education and health programs are essential, but the President's budget recommendations, made in the light of how effectively those expenditures can be made, should not be exceeded. Military bases, veterans hospitals and other Government installations which are no longer vital should be phased out. Public works which do not meet the Bureau of the Budget's rigorous tests of economic feasibility and national need should be postponed.

"In these respects, I do not wish to imply that Congress should not put its own stamp on the President's recommendations. The Legislative branch has its responsibilities to review Executive recommendations with a fine tooth comb. In doing so, however, we need to keep the national fiscal requirements before us, so that additions can be offset by subtractions....

"I recognize that it is easier to turn on the faucet than it is to turn it off. Nevertheless, if we are to maintain an adequate national defense while yet protecting the integrity of the dollar from inflation, it is imperative that we as a nation develop the fiscal flexibility necessary not only to stimulate the economy when appropriate but also avoid excessive stimulation when this policy is called for..."

Witness, as a current case in point, the angry opposition in some quarters to some of the reductions the President has proposed in existing programs. Take, for example, the proposed reductions in the school lunch programs, in the special milk program, in operating grants to Federally impacted school districts, and in grants to land-grant colleges. Each of these reductions represents a genuine effort to reduce assistance to those whose need is less urgent in order to afford increased assistance to those whose need is greatest. And each of these reductions was proposed in the light of large increases in expenditures at all education levels -- expenditures particularly aimed at helping those most in need of help. Yet even in this context, these proposed reductions -- and others -- have met with some stern opposition.

So the task of Federal expenditure control continues to be a most difficult one -- one that will continue to require diligent and dedicated effort on the part of both the President and the Congress -- but one that in the years ahead, as we continue to perfect our techniques of continual program and expenditure analysis and evaluation, will become more and more susceptible to informed and intelligent accomplishment.

Already, as I have said, we are beginning to reap the benefits of that quiet revolution in expenditure control that has been taking place over the past few years. For today, when the need for restraint is so great, we are better able to exercise restraint without resorting to arbitrary expedients than we were some years ago. And today, as well, the task of expenditure control is far less staggering than it otherwise might be if we had not already achieved such excellent results from our efforts of recent years.

Perhaps the best way to sum up those results is to point to the diminishing ratio over recent years between the growth in Federal expenditures and the growth of our overall economy. Excluding special Vietnam costs, expenditures in the administrative budget fell from 14.9 percent of our total national output in fiscal 1965 to 14.5 percent in the current fiscal year. In fiscal 1967, it will drop even further to 13.7 percent, the lowest figure since fiscal 1948 -- some 18 years ago. Even including Vietnam costs, the ratio between Federal expenditures and our national output rises only slightly from 14.9 percent in fiscal 1965 to 15.2 percent for both fiscal 1966 and fiscal 1967 -- thus remaining well below previous levels. Compare these figures with the fact that throughout the late Fifties -- under an Administration which, as I mentioned earlier, prided itself on fiscal frugality -- expenditures in the administrative budget never fell below 16 percent of our national output and reached as high as 17.1 percent of that of that output in 1959.

The efforts, therefore, of recent years -- and particularly under the leadership of President Johnson -- have resulted in a real breakthrough in both the techniques and the practice of Federal expenditure control, a breakthrough that will mean greater and growing flexibility in Federal budgetary decision-making in the years ahead, and a breakthrough that stands us in good stead now when the need for responsible restraint is especially urgent.

We have, as I said earlier, far yet to go before we can confidently claim to have mastered the incredible intricacies and entanglements of the expenditure process. But, under President Johnson's leadership, we have already come far. We see the evidence, as I have pointed out, in our recent budgets. We see it also in a further dimension -- in the broader context of the role that expenditure policy can play as an instrument of overall economic policy. In President Johnson's effort toward restraint in the fiscal 1967 budget -- particularly in reducing requests for new obligational authority some $4.1 billion below the level of fiscal 1966 -- in his efforts in the current fiscal year to hold down expenditures in the non-Vietnam sector of the budget, and more broadly in his efforts to secure the voluntary cooperation of State and local government and of private businessmen in postponing marginal capital expenditures -- in these efforts we see a really major attempt to employ expenditure policy as a counter-cyclical weapon.

We have done much in recent years to improve that weapon. We have much more to do in the years ahead.

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TREASURY DEPARTMENT
Washington

STATEMENT BY THE HONORABLE JOSEPH W. BARR
UNDER SECRETARY OF THE TREASURY
BEFORE THE
HOUSE COMMITTEE ON BANKING AND CURRENCY
THURSDAY, APRIL 21, 1966, 10:30 A.M.

Mr. Chairman and Members of the Committee:

I welcome this opportunity to be with you today to support rompt passage of the "Participation Sales Act of 1966." This ill is designed to provide for an efficient and orderly method f liquidating financial assets held by Federal credit agencies nd to promote private financing of Federal credit programs.

This legislation merely provides for an extension of a echnique that has been carefully tested and has proved its alue to the nation. There is nothing essentially new or unusual n what we are proposing.

Under authority provided in 1964, the Federal National Mortgage ssociation, as trustee, has sold $1.6 billion of certificates of articipation in pools of assets set aside by the Veterans Administraion, and by itself under its Special Assistance and Management and iquidating functions. The "Participation Sales Act of 1966" would roaden and make available on a Government-wide basis this same thority for the sale of participations in pools of financial assets ned by Federal credit agencies.

The objective of this bill is to limit and to reduce the vernment's portfolio of direct loans by substituting private r public credit. We cannot justify immobilizing the dollars of the taxpayer by holding larger and larger amounts of loans when the private credit markets can and want to participate with us in our credit programs.

In 1961, our loan portfolio stood at $25.1 billion. By June 30, 1965, it had increased to $33.1 billion. The program of asset sales in which we have engaged during fiscal year 1966 and the program that is proposed in the President's Budget Message for fiscal year 1967, will reduce this total to $31.5 billion on June 30, 1967. Without the fiscal year 1966 action and the program proposed in the Budget, the portfolio total would be about $39 billion on June 30, 1967. This is clearly an unacceptable level.

The substitution of private for public credit has been a continuing objective of the Congress and successive Administrations for more than a decade. It is a recurring theme in President Eisenhower's Budget Messages in 1954, 1955, 1956, and 1958. Encouraging the flow of private credit was strongly supported in the 1961 Report of the Commission on Money and Credit and in the 1964 Report of President Kennedy's Committee on Federal Credit Programs. Further, expansion of the asset sales program was urged in 1963 in a minority report of the House Ways and Means Committee on H.R. 6009 (to provide temporary increases in the public debt limit):

"The Administration also can always reduce its borrowing requirements by additional sales of marketable Government assets... or example, when the Secretary of the Treasury was before the ommittee on February 27, we suggested that it was incumbent upon he Administration to show good faith before coming to the Congress or an additional increase in borrowing authority. We pointed out hat the Government held about $30 billion in loans, many of which ere readily marketable. In fact, there was a very good market or many of these loans. Instead of increasing its offering of hese loans to private lenders, the Administration was then acting n the supposition that the Congress would automatically accede a request for an increase in its borrowing authority...Our efusal to grant the Administration's request last February produced esults. In the interim of less than 2 months the Administration und that it could increase revenues from the sale of loans by an lditional $1 billion for fiscal 1963. Now, the Administration timates that it will realize $2.082 billion -- as contrasted th an original estimate of only $0.929 billion less than months ago."

Let me outline the procedure which would be followed under the ll, including the effect of the provision bearing on the sale of sets carrying interest rates below those prevailing in current rkets.

-- Each lending agency would be authorized to enter into a trust agreement with FNMA under which it would set aside on its books certain of its loans, subject them to a trust and, for purposes of the trust, guarantee the loans, including timely payments of principal and interest. The bill would permit the substitution of other loans in the event of default or likely default on any of the loans subjected to the trust agreement. In fulfilling its guarantee, the lending agency would be authorized to use any appropriated funds or other funds available for the general purposes of programs to which the obligations subject to trust are related.

-- FNMA would, as it has already done as trustee for VA and FHA mortgage loans, issue and sell participations based on such pooled obligations and on the right to receive principal and interest collections from those obligations. FNMA would also, in its corporate capacity, guarantee all payments due on the participatio certificates sold. For the purpose of making timely debt service payments, FNMA would be authorized to borrow from the Treasury under the procedures provided in subsection (d) of section 306 of the Federal National Mortgage Association Charter Act.

-- Because of the right of substitution and the lending agency guarantee, it would not be anticipated that either the FNMA guarantee or the Treasury borrowing authority would have to be used. These additional safeguards, however, would help to assure the most favorable market reception for the participation certificates and ninimize the interest rates at which they could be sold.

-- Proceeds of the participation certificates sold would be aid over to the lending agency. They would become available for ew loans only to the extent that repayments of the underlying bligations can be used for new loans under existing law and ongressional controls.

-- The loans pooled by the lending agency would have to e of such amounts, interest rate, and maturities as to insure rincipal and interest collections sufficient to meet the payments ue on the participation certificates. The only exception would cur when an agency was previously authorized, in an Appropriation t of the Congress, to include obligations bearing submarket interest tes. In that event, an appropriation would be established on the oks of the Treasury sufficient to enable the lending agency to y FNMA, as trustee, the amount of any deficiency. This is an portant provision of this legislation which will insure that e Congress will maintain effective control over these programs.

-- While title to the pooled loans would pass to FNMA in st, the lending agency would continue to maintain custody and vice of the loans. I want to make clear at this point that lending agency would maintain complete administrative control r its programs.

-- Borrower payments on the pooled loans would be paid to the lending agency and then turned over to FNMA to be applied toward payments becoming due on the participation certificates. Any collection receipts in excess of the amounts needed to assure payment on the participation certificates would be returned to the lending agency, after deduction of FNMA's costs. Any additional expenses would be paid by the lending agency, using either appropriated funds or other amounts available for the purposes or programs to which the obligations subject to trust were related.

The sale of participation certificates through FNMA would also assure the essential coordination of asset sales by different agencies. It would not make sense for agencies to market their assets in a way that interfered with similar efforts on the part of sister agencies. All are marketing an essentially similar product -- an obligation backed by the Federal Government.

Coordinated offerings through FNMA would mean that market offerings could be timed and adapted in other respects to minimize interest costs, maximize marketability, and, in general, gain the greatest benefit from this technique for drawing private investment funds into Federal credit programs.

The bill would also assure the most effective coordination of participation sales operations with the Treasury's debt management operations. The Treasury has long-established and excellent working relations with FNMA in coordinating market operations with over-all debt management policy.

Although similar arrangements have been and could be established with other agencies, the coordinating job would become increasingly complex and would require unnecessary staffing and other administrative costs.

The problems of scheduling a large number of separate agency ssues to avoid market congestion and to minimize the cost to he Government would be both formidable and unnecessary. Difficulties n timing and coordination would be compounded during periods of apidly changing market conditions, leading to possible disruptions f needed credit programs.

The participation sales technique, as compared with the utright sale of Federal loans, provides significant additional arketing flexibility and thus assures that Federal agency assets ill be more readily saleable and at lower interest rates.

The participation technique, in effect, converts obligations relatively narrow market acceptability into obligations of oad marketability which are attractive to a wide variety of rchasers: banks, insurance companies, pension funds, and other stitutional investors.

Since the FNMA participation instruments have already gained broad acceptance in the market, the Government should capitalize on this proven experience and avoid the "start-up" costs that other agencies would encounter if they approached the market individually.

This bill is a recognition of and response to the growing size and complexity of Federal credit program financing operations and the need for coordinating these operations with the over-all financial activities of the Federal Government.

Again, I want to endorse this legislation and urge its prompt enactment.

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ATTACHMENT

HOW THE PARTICIPATION SALES ACT WOULD WORK

The following two examples are illustrative of the procedures that would be followed in implementing the provisions of the "Participation Sales Act of 1966." Example No. 1, the SBA, outlines the procedures in the case of programs in which loans are made at market rates. Example No. 2, CFA College Housing Loans, details the procedures that would be followed in the case of a program with submarket rates.

Example 1. Small Business Administration

The Small Business Administration would enter into a trust agreement with FNMA under which SBA would set aside on its books certain of its business loans. These loans would be in such amounts, have such interest rates and maturities so as to assure principal and interest collections sufficient to meet the payments due on these participation certificates.

These loans would be subjected to a trust and would be guaranteed by SBA. To fulfill its guarantee, SBA would be authorized to use any appropriated funds or other funds available to it for the direct loan program. Following past practices, SBA could also be expected to set aside a reserve equal to ten percent of the principal amount of the loans subject to trust. In addition, SBA would agree to substitute good loans in the event of default or likely default on any of the loans subjected to the trust agreement.

FNMA as trustee would issue and sell participations based on such pooled obligations and on the right to receive principal and interest collections from those obligations. FNMA in its corporate capacity would also guarantee timely payment of principal repayments and interest due on the participation certificates, and for this purpose FNMA, if necessary, would be able to borrow from Treasury any amounts needed under the procedures provided in subsection (d) of section 306 of the FNMA Charter Act.

Proceeds of the participations sold, after deduction of the costs of the transaction, would be paid over to SBA and become available for new loans subject to the over-all loan authorization provided by the Congress. In addition, as Mr. Ross Davis has testified, SBA would continue to count against the loans outstanding authorization the principal amount of all loans placed in trust. Consequently, SBA would not be enabled to increase its loans outstanding except to the extent the Congress has already provided authorization for additional loans or provides additional authorizations for the same purpose in the future.

While title to the pooled SBA loans would pass to FNMA in trust, SBA would continue to maintain custody and service of the loans. Consequently, SBA would continue to maintain complete administrative control over its programs.

In accordance with the trust agreement, SBA would pay over to FNMA periodically repayments of principal and interest on the pooled loans. Any collection receipts in excess of the amounts needed to assure the payments on the participation certificates would be returned to SBA after deduction of FNMA's costs, and any additional expenses would be paid by SBA from appropriated funds or other amounts available for the general purposes or programs to which the obligations subject to the trust are related.

Example 2. College Housing Loans, Community Facilities Administration

The Community Facilities Administration of the Department of ousing and Urban Development, would in the normal appropriations rocess request approval of the Congress to sell an amount of articipations in the CFA loan portfolio. The Appropriations ommittees would be free to approve or reject the request or to hange the amount, thus maintaining strict control over the amount f funds which would be made available to CFA for new college housing oans.

If the Appropriations Committees approved the sale of, say, $20 million, the amount proposed for fiscal 1967, of participations, here would be established on the books of the Treasury an ndefinite appropriation which would enable CFA to pay FNMA the terest insufficiency arising from the difference between the tes of interest on loans and on participation certificates. viously, the Congress would be provided with estimates of the ount of anticipated expenditures under this appropriation but the exact amounts would, of course, depend upon market rates of interest at the specific times the participation certificates were sold.

This indefinite appropriation would cover the payments throughout the life of the participation certificates sold under the authorization. It would not run to additional issues of participation certificates for which new authorization would be required.

The Community Facilities Administration or the Department of Housing and Urban Development would then enter into a trust agreement with FNMA under which Community Facilities Administration would set aside on its books certain of its loans, all of which presently bear interest rates significantly below current market rates of interest.

As in the SBA example, CFA would subject these loans to a trust, and guarantee the loans, and undertake to substitute good loans for loans which default or are likely to default.

Similarly FNMA would as trustee issue the participations and in its corporate capacity guarantee the timely payment of principal and interest on the participation certificates, again with the support of its borrowing authority from Treasury.

Proceeds of the participation certificates sold would be paid over to CFA and become available for new college housing loans in accordance with the intent of the Congress in initially providing the authority to sell an amount of participations.

Again, as in the SBA case, CFA would continue to maintain custody and service of the loans and exercise full administrative control over its program.

Since the pooled loans would bear interest below the rate at which the participation certificates could be sold in the market, from time to time CFA would also draw on the indefinite appropriation authorized at the time the participation sale was authorized to make payments to FNMA for the amount of the interest insufficiency.

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 22, 1966

IMMEDIATE RELEASE

APPOINTMENT OF ASSISTANT DIRECTOR
(ADMINISTRATION) U.S. SECRET SERVICE

James J. Rowley, Director of the U. S. Secret Service, and David C. Acheson, Special Assistant to the Secretary of the Treasury for Enforcement, today announced the appointment of Phil W. Jordan as Assistant Director of the Secret Service for Administration.

Mr. Jordan, 52, a career civil servant, is Special Assistant to the Assistant General Counsel of the General Services Administration. He will assume his new duties Monday, April 25.

Under a comprehensive re-organization of the Secret Service announced by Secretary of the Treasury Henry H. Fowler on November 10, 1965, Mr. Jordan will be the fourth Assistant Director of the Service to be appointed.

The re-organization was designed to improve the administration and efficiency of the Service. Three other Assistant Directors, all career Secret Service agents, were designated at the time of the November 1965 re-organization.

The position Mr. Jordan will fill was created to provide the Director of the Service with a professional administrator responsible for all administrative matters within the Service. These will include personnel recruitment and administration, training activities, budget and finance activities, management studies, and program planning and evaluation.

Mr. Jordan has been with GSA since 1949. He has held positions as Director of the Program Objectives and Evaluation Staff, Chairman of the Task Force for Review of Government Procurement Policy and Procedures, Assistant to the Administrative Assistant to the Administrator, Deputy Assistant Commissioner for Procurement Policy, and Assistant Comptroller.

Previously he was with the War Assets Administration, United Nations Relief and Rehabilitation Administration, the Office for Emergency Management, and the Department of Agriculture.

A native of Atlanta, Georgia, he is a 1935 graduate of the University of Georgia and holds a Bachelor of Laws degree from George Washington University. He is married to the former Margaret Jane Thorne of The Plains, Virginia. They have two children and reside at 7915 Radner Road, Bethesda, Maryland.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

April 22, 1966

HOLD FOR RELEASE AT 4:00 P.M., EDT
SUNDAY, APRIL 24, 1966

STATEMENT OF THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY OF THE UNITED STATES OF AMERICA
AND
U. S. GOVERNOR ON THE BOARD
OF THE INTER-AMERICAN DEVELOPMENT BANK
UPON ARRIVAL AT MEXICO CITY
TO PARTICIPATE IN THE SEVENTH ANNUAL MEETING
OF THE BANK'S BOARD OF GOVERNORS
SUNDAY, APRIL 24, 1966

Let me say how happy I am to be in your brilliant city, which only a few days ago did my country the great honor of giving so warm a welcome to President Johnson.

I am reminded of a passage in President Johnson's remarks April 15 when he participated in the dedication of the beautiful monument that you have raised to President Lincoln. He said, and I quote:

> "It will take time, faith and stubborn effort to achieve together the goals that we set ourselves in the Charter of Punta Del Este five years ago, but this we must do. This we will do. There is no other way, in our time and in this hemisphere, to show what free men and what free nations can do working together."

The Inter-American Development Bank is an integral part of that effort.

Mexico City is a particularly appropriate place for the Governors of the Inter-American Development Bank to meet, for the Bank was established five years ago to further those purposes of social and economic progress that Mexico has long championed, even before they were espoused in the Charter of Punta del Este and in the Charter of the Inter-American Development Bank.

We will not only be giving ourselves the satisfaction at the meeting which opens tomorrow of reviewing the Bank's important and extensive accomplishments. We will have before us several matters of great significance for the Bank's future work, and for the growth of economic well-being in Latin America.

One of these is the proposal that the Bank study the potentialities in the integration of economic development efforts through multi-national projects. Another is study of the needs of the Bank in the future for an increase in its resources. A further question is that of approaching Latin American development to a greater extent through concentration upon the development potential in the improvement of education, the improvement of agriculture and food processing, and in more efficient mobilization and use of Latin America's own resources.

I think that you can see from this that we have before us a meeting that should be as productive as it is bound to be interesting. I am looking forward to it, and my anticipation is intensified by the fact of being in this great and vital city, among the Mexican people who are in so many ways establishing standards in the field of economic and social development.

Your country and mine are each engaged upon the building of a Great Society. Together with our friends in the Alliance for Progress and in the Inter-American Development Bank, we are engaged upon the building of a Greater Society of American Nations. That is our work at this meeting.

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TREASURY DEPARTMENT

WASHINGTON. D.C.

RELEASE 6:30 P.M.,
lay, April 25, 1966.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced that the tenders for two series of Treasury s, one series to be an additional issue of the bills dated January 27, 1966, the other series to be dated April 28, 1966, which were offered on April 20, , were opened at the Federal Reserve Banks today. Tenders were invited for 00,000,000, or thereabouts, of 91-day bills and for $1,000,000,000, or theretS, of 182-day bills. The details of the two series are as follows:

E OF ACCEPTED ETITIVE BIDS:	91-day Treasury bills maturing July 28, 1966		:	182-day Treasury bills maturing October 27, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	98.834	4.613%	:	97.616 a/	4.716%
Low	98.827	4.640%	:	97.606	4.735%
Average	98.830	4.630% 1/	:	97.609	4.730% 1/

a/ Excepting 1 tender of $200,000
61% of the amount of 91-day bills bid for at the low price was accepted
34% 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	$ 25,335,000	$ 14,826,000	:	$ 4,685,000	$ 4,685,000
York	1,512,300,000	882,828,000	:	1,496,508,000	741,698,000
ladelphia	34,162,000	20,992,000	:	12,745,000	4,745,000
veland	31,784,000	30,634,000	:	36,534,000	15,987,000
hmond	10,165,000	9,869,000	:	3,892,000	3,892,000
anta	35,958,000	19,997,000	:	31,096,000	12,600,000
cago	278,366,000	149,118,000	:	268,743,000	104,883,000
Louis	68,823,000	49,926,000	:	35,907,000	19,387,000
neapolis	16,879,000	12,544,000	:	11,063,000	7,630,000
sas City	25,651,000	25,417,000	:	21,858,000	16,279,000
las	26,306,000	16,170,000	:	12,227,000	7,062,000
Francisco	108,881,000	68,960,000	:	139,723,000	61,612,000
TOTALS	$2,174,610,000	$1,301,281,000 b/		$2,074,981,000	$1,000,460,000 c/

ludes $247,421,000 noncompetitive tenders accepted at the average price of 98.830
ludes $124,689,000 noncompetitive tenders accepted at the average price of 97.609
se rates are on a bank discount basis. The equivalent coupon issue yields are '5% for the 91-day bills, and 4.91% for the 182-day bills.

TREASURY DEPARTMENT
Washington

FOR RELEASE: UPON DELIVERY

REMARKS BY THE HONORABLE TRUE DAVIS
ASSISTANT SECRETARY OF THE TREASURY
BEFORE INDUSTRIAL PAYROLL SAVINGS COMMITTEE
CEDAR RAPIDS, IOWA, TUESDAY, APRIL 26, 1966
12 O'CLOCK NOON, CDT.

I am indeed happy to have this opportunity to publicly recognize and commend the 1965 efforts and accomplishments by the volunteer Payroll Savings Committees of Iowa -- and to give you every encouragement that I can toward the achievement of the Savings Bond goals that you have set for 1966.

The strongest encouragement I can offer is the simple fact that your efforts to increase the sale of United States Savings Bonds contribute directly to helping your country deal with the two most important problems it faces today. I refer to our commitment to defend freedom in South Vietnam and to the need to prevent inflation at home.

I think it's important -- in considering the possible threat of inflation -- to keep in mind the tremendous economic gains we have made.

I am talking about the vast expansion in productivity which our country has achieved in recent years, the unprecedented abundance which most Americans enjoy, and the great diversity of newly created jobs in our economy which, despite the constant influx of new workers, has forced our unemployment rate down below 4 percent for the first time since early 1957.

Our fiscal policy has played a vital role in the great expansion of our economy. In turn, economic growth is reflected in rising revenues for our Federal, State and local governments. Federal administrative budget receipts under present law are expected to be more than $20 billion greater in fiscal 1966 than they were five years ago. That is more than double the revenue increases in the previous five-year period, in which no significant tax reduction took place. Not in spite of -- but because of -- tax reduction, we are receiving more tax revenue than we would without it.

But simply because revenues are high does not mean there will be excessive Federal spending.

President Johnson has insisted that we insure, and here I quote from him, that "every dollar is spent with the thrift and with the common sense which recognizes how hard the taxpayer worked in order to earn it." Without detailing for you a list of figures showing how the President's policy of expenditure control has been carried out successfully, let me just say this: If it had not been for necessary expenditure increases for Vietnam and increases which were beyond administrative control, the President in three fiscal years would have held expenditures to less than $1 billion more than the amount originally budgeted for fiscal year 1964, in which he assumed office. You can see the significance of that figure clearly when you know that the average budget increase of the previous ten years was $3 billion _per year_.

Two advantages stand out among the many results of our policies of fiscal flexibility and expenditure control. The first is that we as a nation can budget for urgent new programs because of savings on those of lesser urgency and through greater productivity in existing programs.

The second is that, despite the increase in the costs of Vietnam -- almost $6 billion alone in fiscal 1967 -- the Administrative budget deficit next year is estimated at only $1.8 billion. That will be the lowest budget deficit in seven years.

Still another result has been that the U. S. Treasury, in bearing its responsibility for managing the public debt, has not made as great demands on our capital markets as many people have expected it to.

Further, we have in the past -- and we will continue in the future -- to manage our debt in the most non-inflationary manner possible, consistent with our other debt-management objectives, including cost.

In calendar year 1965 we financed the entire debt increase outside the banking system. In fact, Treasury issues held by commercial banks fell by several billion dollars.

The Savings Bond program plays an important role in management of the debt. It may prove to be one of our most useful tools for averting inflation -- and it is also important in other ways.

Savings Bonds have a very unique place in the history of our country. People all over this land feel a little closer to their government when they have a bond that has the seal of the United States Government upon it. It is more than a document and more than a piece of paper. It is a commitment on the part of a citizen to his Government, to this democracy, to the purposes of this nation .and to its present and to its future.

It's the wisest investment that anyone ever made. And, when we ask one another to share in this program, we are really asking one another not only to do better for our country but to do better for ourselves. It's not bad to be able to invest your money and get 4.15 percent interest; and to be sure you're going to get it with no risk -- a guaranteed income if there ever was one. So, we can say that a bond -- a U. S. Savings Bond -- is a prudent investment for a people that believe in their country and in the future of this land.

Buying bonds not only helps to prevent inflation by taking dollars out of the consumer spending stream; buying bonds is also a way to participate in our commitment to freedom all over the world. I have heard our President say that it is not right to expect the men who are in Vietnam and their families to bear all the suffering, all the pain, all the worrying, and all the fighting. Those of us who are privileged to live in a much more luxurious and easy life can do no less than to at least express our willingness to help through the purchase of Savings Bonds.

Every fraternal order, every labor organization, every management organization, the Chambers of Commerce, the Veterans organizations, every single group in America, should be offered an opportunity to help increase the sale of Savings Bonds.

It's in that spirit that I come to you today, to ask your help to do the kind of job that must be done.

In the days and months to come, let all of us -- in government, in business and in commerce -- share an extra burden of responsibility. Let's demonstrate that --in deed, as in ideal; in performance, as in promise -- we are a nation of greatness; we are a union of patriots willing and worthy to meet the challenge and bear the responsibility -- the lonely responsibility, at times -- of leadership in a free world.

TREASURY DEPARTMENT

WASHINGTON, D.C.

R RELEASE 6:30 P.M.,
esday, April 26, 1966.

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

The Treasury Department announced that the tenders for $1,000,000,000, or thereuts, of 365-day Treasury bills to be dated April 30, 1966, and to mature April 30, 7, which were offered on April 20, were opened at the Federal Reserve Banks today.

The details of this issue are as follows:

Total applied for	- $1,833,811,000	
Total accepted	- $1,000,121,000	(includes $38,878,000 entered on noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids:

High	- 95.184	Equivalent rate of discount approx.	4.750%	per annum
Low	- 95.144	" " " " "	4.789%	" "
Average	- 95.161	" " " " "	4.773%	" " 1/

(93% of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 43,081,000	$ 33,081,000
New York	1,351,951,000	804,901,000
Philadelphia	13,632,000	3,632,000
Cleveland	25,079,000	5,079,000
Richmond	1,648,000	1,648,000
Atlanta	16,487,000	6,987,000
Chicago	259,971,000	95,831,000
St. Louis	18,442,000	16,442,000
Minneapolis	5,677,000	5,677,000
Kansas City	4,089,000	4,089,000
Dallas	16,941,000	5,941,000
San Francisco	76,813,000	16,813,000
TOTAL	$1,833,811,000	$1,000,121,000

This rate is on a bank discount basis. The equivalent coupon issue yield is 5.02%.

F-449

TREASURY DEPARTMENT
Washington

TREASURY DEPARTMENT
Washington

STATEMENT BY THE HONORABLE JOSEPH W. BARR
UNDER SECRETARY OF THE TREASURY
BEFORE THE
SENATE COMMITTEE ON BANKING AND CURRENCY
TUESDAY, APRIL 26, 1966, 10:00 A.M.

Mr. Chairman and Members of the Committee:

I am very glad to appear before you this morning to support rompt passage of the "Participation Sales Act of 1966." This ill would provide an efficient and orderly method for liquidating inancial assets held by Federal credit agencies and would help to romote private financing of Federal credit programs.

This legislation would extend a technique that has been arefully tested and has proved its value to the nation. There s nothing essentially new or unusual in what we are proposing.

Under authority provided in 1964, the Federal National Mortgage ssociation, as trustee, has already sold $1.6 billion of certificates participation in pools of assets set aside by the Veterans ministration, and by FNMA itself under its Special Assistance d Management and Liquidating functions.

The "Participation Sales Act of 1966" would simply broaden d make available on a Government-wide basis this same authority r the sale of participations in pools of financial assets owned Federal credit agencies.

Our objective is to limit and to reduce the Government's portfolio of direct loans by substituting private for public credit. We cannot justify immobilizing the dollars of the taxpayer by holding larger and larger amounts of loans when the private credit markets can and want to participate with us in our credit programs.

In 1961, our loan portfolio stood at $25.1 billion. By June 30, 1965, it had increased to $33.1 billion.

The program of asset sales in which we have engaged during fiscal year 1966 and the program that is proposed in the President' Budget Message for fiscal year 1967, will reduce this total to $31.5 billion on June 30, 1967.

Without the fiscal year 1966 action and the program proposed in the Budget, the portfolio total would approach $39 billion on June 30, 1967. This kind of growth is neither desirable nor necessary. It is undesirable because it is the essential business of Government to help stimulate and encourage worthwhile credit programs, but not to be the final lender holding an ever-rising portfolio. It is unnecessary because the "Participation Sales Act of 1966" offers an attractive alternative in the form of substituting private for public credit.

The substitution of private for public credit has been a continuing objective of the Congress and successive Administratio for more than a decade.

It is a recurring theme in President Eisenhower's Budget Messages in 1954, 1955, 1956, and 1958.

Encouraging the flow of private credit was strongly supported in the 1961 Report of the Commission on Money and Credit and in the 1964 Report of President Kennedy's Committee on Federal Credit Programs.

Expansion of the asset sales program was urged in 1963 in a minority report of the House Ways and Means Committee on H.R. 6009 on providing temporary increases in the public debt limit, from which I quote the following passages:

> "The Administration also can always reduce its borrowing requirements by additional sales of marketable Government assets....
>
> "For example, when the Secretary of the Treasury was before the Committee on February 27, we suggested that it was incumbent upon the Administration to show 'good faith' before coming to the Congress for an additional increase in borrowing authority. We pointed out that the Government held about $30 billion in loans, many of which were readily marketable. In fact, there was a very good market for many of these loans. Instead of increasing its offering of these loans to private lenders, the Administration was then acting

on the supposition that the Congress would automatically accede to a request for an increase in its borrowing authority."

......

"Our refusal to grant the administration's request last February produced 'results'. In the interim of less than 2 months the administration found that it could increase revenues from the sale of loans by an additional $1 billion for fiscal 1963. Now, the administration estimates that it will realize $2.082 billion -- as contrasted with an original estimate of only $0.929 billion less than 2 months ago...."

Before I outline the procedures which would be followed under the bill, let me mention two amendments proposed by the House committee in which we concur.

First, the House committee proposed, and we agreed, that it would be desirable to amend the bill to provide that no sale of participation certificates on behalf of any agency could be undertaken without prior authorization in an appropriations act.

As originally drafted, the bill provided that prior authorization in an appropriations act for the sale of participatio certificates would be required only if the assets pooled by the agency bore interest rates below the rate at which the participati certificates could be sold in the market. It was our intention that the appropriations committees should consider any sale of participations where there would be need for appropriations.

We were pleased to accede to this amendment -- proposed by the minority side in the House Committee -- which will have the effect of strengthening Congressional control over all of these credit programs.

Second, we agreed to a change which would require -- rather than simply authorize -- an agency to guarantee its pooled obligations to FNMA.

We believed that circumstances could arise, for example, in connection with insured FHA loans, in which a further guarantee to FNMA, as trustee, would not be necessary.

But we are glad to accept the amendment, since its intent is identical to our own, which is to protect FNMA, both in its trust and corporate character, and to place the first responsibility where it belongs -- on the lending agency.

I would like to sketch for you the procedure which would be followed under this Bill:

-- When authorized in appropriations acts, each lending agency could enter into a trust agreement with FNMA, under which it would set aside on its books certain of its loans and subject them to a trust. It would be required, for purposes of the trust, to guarantee the loans, including timely payment of principal and interest. The bill would permit the substitution of other loans in the event of default or likely default on any of the loans subjected to the trust agreement. In fulfilling its guarantee, the lending agency would be authorized to use any appropriated funds or other funds available for the general purposes of programs related to the entrusted obligations.

-- FNMA would then -- up to the maximum amounts authorized for each agency -- issue and sell participations based on the pooled obligations and on the right to receive principal and interest collections from those obligations. FNMA would also, in its corporate capacity, guarantee all payments due on the participation certificates sold. For the purpose of making timely debt service payments, FNMA would be authorized to borrow from the Treasury under the procedures provided in subsection (d) of section 306 of the Federal National Mortgage Association Charter Act.

-- Because of the right of substitution and the lending agency's guarantee, it is not anticipated that either the FNMA guarantee or the Treasury borrowing authority would have to be used. These additional safeguards, however, would help to assure the most favorable market reception for the participation certificates and minimize the interest rates at which they could be sold.

-- Proceeds of the participation certificates sold would be paid over to the lending agency. They would become available for new loans only to the extent that repayments of the underlying obligations can be used for new loans under existing law and congressional controls.

-- If the loans pooled by the lending agency, pursuant to an authorization in an appropriation act, included obligations bearing submarket interest rates, an appropriation would be authorized to enable the lending agency to pay FNMA the amount of any deficiency in the interest earned on the pooled obligations. The amount would be the difference between the interest paid by the borrowers and the interest payable on the participation certificates. If this payment was not made in timely fashion, FNMA, as part of its guarantee of timely payment on the participation certificates, would itself pay the amount of the deficiency -- and would then be reimbursed by the agency, with interest, when funds became available.

-- While title to the pooled loans would pass to FNMA in trust, the lending agency would maintain custody and service of the loans. Again, let me stress a point: the lending agency would maintain complete administrative control over its programs.

-- Borrower payments on the pooled loans would be paid to the lending agency. The agency would turn the payments over to FNMA, to be applied toward payments becoming due on the participation certificates. Any collections in excess of the amounts needed for payments on the participation certificates would be returned to the lending agency, after deduction of FNMA's costs. Any additional expenses would be paid by the lending agency, using either appropriated funds or other amounts available for purposes or programs related to the entrusted obligations.

An additional benefit of this proposal is that the sale of participation certificates through FNMA would assure the essential coordination of asset sales by different agencies. It would not make sense for agencies to market their assets in a way that interfered with similar efforts on the part of sister agencies. All would be marketing an essentially similar product -- an obligation backed by the Federal Government.

Coordinated offerings through FNMA would mean that market offerings could be timed and adapted in other respects to minimize interest costs, maximize marketability, and, in general, gain the greatest benefit from this technique for drawing private investment funds into Federal credit programs.

The bill would also assure the most effective coordination of participation sales operations with the Treasury's debt management operations. The Treasury has long-established and excellent working relations with FNMA in coordinating market operations with over-all debt management policy.

While similar arrangements have been and could be established with other agencies, the coordinating job grows in complexity as more agencies and larger sales are involved. Centralizing sales will avoid unnecessary staffing and other administrative costs.

Scheduling a large number of separate agency issues to avoid market congestion and to minimize the cost to the Government is both intricate and unnecessary.

Difficulties in timing and coordination are compounded during periods of rapidly changing market conditions, leading to possible disruptions of needed credit programs.

The participation sales technique -- as compared with the outright sale of Federal loans -- provides significant additional marketing flexibility. It thus assures that Federal agency assets will be more readily saleable and at lower interest rates.

The participation technique converts obligations of relatively narrow market acceptability into obligations of broad marketability which are attractive to a wide variety of purchasers: banks, insurance companies, pension funds, and other institutional investors.

For example, if the government were to sell directly the home mortgages which it now holds, most of these mortgages would be bought by institutions (such as savings and loans and mutual savings banks) which normally supply a large part of the credit needs of the home mortgage market. The result would be to put this particular sector of the credit market under increased pressure.

However, if these mortgages are marketed via the participation route, the purchasers would include the whole spectrum of investors -- including those which normally do not invest in home mortgages -- such as corporations, personal trusts, and state and local government pension funds. Thus the sale of home mortgages in a pool of assets (as contrasted with the direct sale of mortgages) would tend to ease -- rather than increase -- pressures on the mortgage market.

Since the FNMA participation instruments have already gained broad acceptance in the market, the Government should capitalize on this proven experience and avoid the "start-up" costs that other agencies would encounter if they approached the market individually.

This bill is a recognition of and response to the growing size and complexity of Federal credit program financing operations and the need for coordinating these operations with the over-all financial activities of the Federal Government.

I fully endorse this legislation and urgeits prompt enactment.

ATTACHMENT

HOW THE PARTICIPATION SALES ACT WOULD WORK

The following two examples illustrate the procedures that would be followed in implementing the provisions of the "Participation Sales Act of 1966". Example No. 1, covering SBA loans, outlines the procedures in the case of programs in which loans are made at market rates. Example No. 2, covering CFA College Housing loans, sketches the procedures that would be followed in the case of a program with submarket rates.

Example 1. Small Business Administration

The Small Business Administration, after receiving an authorization in an appropriations act, would enter into a trust agreement with FNMA under which SBA would set aside on its books certain of its business loans. These loans would be in such amounts and have such interest rates and maturities as to assure principal and interest collections sufficient to meet the payments due on the participation certificates.

These loans would be subjected to a trust and would be guaranteed by SBA. To fulfill its guarantee, SBA would be authorized to use any appropriated funds or other funds available to it for the direct loan program. Following past practices, SBA could also be expected to set aside a reserve equal to ten ercent of the principal amount of the loans subject to trust.

In addition, SBA would agree to substitute good loans in the event of default or likely default on any of the loans subjected to the trust agreement.

FNMA, as trustee, would issue and sell participations based on the pooled obligations and on the right to receive principal and interest collections from those obligations. FNMA, in its corporate capacity, would also guarantee timely payment of principal and interest due on the participation certificates. For this purpose FNMA, if necessary, would be able to borrow from Treasury any amounts needed under the procedures provided in subsection (d) of section 306 of the FNMA Charter Act.

Proceeds of the participations sold, after deduction of the costs of the transaction, would be paid over to SBA. They would become available for new loans only within the over-all loan authorization provided by the Congress.

As Mr. Ross Davis, Acting Director of SBA, has testified, SBA would continue to count against its authorization to have loans outstanding the principal amount of all loans placed in trust. Consequently, SBA would not be enabled to increase its loans outstanding beyond the level authorized by the Congress and provided for in appropriations acts.

While title to the pooled SBA loans would pass to FNMA in
rust, SBA would continue to maintain custody and service of
he loans. Consequently, SBA would maintain complete administrative
ontrol over its programs.

In accordance with the trust agreement, SBA would pay over
o FNMA periodically repayments of principal and interest on the
ooled loans. Any collection receipts in excess of the amounts
eeded to assure the payments on the participation certificates
ould be returned to SBA after deduction of FNMA's costs, and
ıy additional expenses would be paid by SBA from appropriated
ınds or other amounts available.

ample 2. College Housing Loans, Community Facilities Administration

The Community Facilities Administration of the Department
Housing and Urban Development would also in the normal ap-
opriations process, request Congressional approval to sell a
rtain amount of participations in the CFA loan portfolio. The
propriations Committees would again be free to approve or reject
e request or to change the amount, thus maintaining strict con-
ol over the amount of funds which would be made available to CFA
r new College Housing loans.

If the sale of $820 million of participation certificates,
amount proposed for fiscal 1967, was approved by the Congress
an appropriation act, it is anticipated that the same act

would establish on the books of the Treasury an indefinite appropriation which would enable CFA to pay FNMA the interest insufficiency arising from the difference between the rates of interest on loans and on participation certificates. The Congress would be provided with estimates of the amount of anticipated expenditures under this appropriation, which would be indefinite only to the extent that estimates would be required of the market rates of interest at which the participation certificates could be sold.

This indefinite appropriation would cover the payments throughout the life of the participation certificates sold under the authorization. It would not run to additional issues of participation certificates for which new authorizations would be required.

The Community Facilities Administration would then enter into a trust agreement with FNMA, under which CFA would set aside on its books certain of its loans, all of which presently bear interest rates significantly below current market rates of interest.

As in the SBA example, CFA would subject these loans to a trust, guarantee the loans, and undertake to substitute good loans for loans which default or were likely to default.

Similarly, FNMA would, as trustee, issue the participations and, in its corporate capacity, guarantee the timely payment of principal and interest on the participation certificates, again with the support of its borrowing authority from Treasury.

Proceeds of the participation certificates sold would be paid over to CFA and become available for new college housing loans.

As in the SBA case, CFA would maintain custody and service of the loans and exercise full administrative control over its program.

Since the pooled loans would bear interest below the rate at which the participation certificates could be sold in the market, from time to time CFA would draw on the indefinite appropriation provided when the participation sale was authorized in order to make payments to FNMA for the amount of the interest insufficiency.

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 27, 1966

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 $2,300,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing May 5, 1966, in the amount of $ 2,300,989,000, as follows:

91-day bills (to maturity date) to be issued May 5, 1966, in the amount of $ 1,300,000,000, or thereabouts, representing an additional amount of bills dated February 3,1966, and to mature August 4,1966, originally issued in the amount of $999,669,000, the additional and original bills to be freely interchangeable.

182-day bills, for $1,000,000,000, or thereabouts, to be dated May 5,1966, and to mature November 3,1966.

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving time, Monday, May 2, 1966. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for each issue for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on May 5, 1966, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 5, 1966. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT
Washington

FOR USE AT 12:45 EDT
WEDNESDAY, APRIL 27, 1966

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AND
U. S. GOVERNOR ON THE BOARD
OF THE INTER-AMERICAN DEVELOPMENT BANK
AT THE SEVENTH ANNUAL MEETING
OF THE BANK'S BOARD OF GOVERNORS
WEDNESDAY, APRIL 27, 1966
AT MEXICO CITY

It is a pleasure indeed to participate in a meeting in this great and beautiful capital city of Mexico. As a representative of the United States, I am particularly happy at this opportunity to visit our close and good neighbor. The bonds between us were demonstrated eloquently during the recent visit of President Johnson to dedicate a statue of Abraham Lincoln as a gift of the people of the United States to the people of Mexico. The visit was a deeply moving reaffirmation of the mutual feelings of respect and friendship which unites our two peoples.

It is particularly fitting for the Governors of the Bank to meet in Mexico, which long ago adopted under its revolution, and in many ways has illuminated, the principles of social and economic progress espoused in both the Charter of Punta Del Este and in the Charter of the Bank. I am sure I speak for the other Governors as well as for myself in paying special tribute to the extraordinary accomplishments of this great country in promoting economic development and social justice. May I also express my delegation's gratitude for the splendid arrangements provided by our Mexican hosts for the conduct of this meeting.

In contrast with other Governors present who have attended several of the Bank's meetings, I am here as a novice. I am able, however, to point to some previous association with the Bank in my earlier tenure as Under Secretary of the Treasury as well as during the past year in which I have served as Secretary of the Treasury and United States Governor of the Bank. I was honored to be present, for example, on the occasion of the signature in 1961 of the Social Progress Trust Fund Agreement by the late President Kennedy and by our own President Herrera.

I regard this meeting as a welcome opportunity to listen and to learn from my fellow Governors, as well as from the distinguished President of the Bank.

Before beginning my own remarks, however, I am greatly pleased and honored to convey a message to this distinguished assemblage from the President of the United States. I quote:

> "Ten days ago it was my privilege to share the beauty and hospitality of this gracious city.
>
> "On that occasion I urged that all of us in this hemisphere work together to open up new paths and breathe new energy into our efforts to give the Alliance for Progress increased momentum.
>
> "As we carry forward our truly revoluntionary cause, four areas of major endeavors must be:
>
> "Higher agricultural production to feed our growing populations and to meet our expanding industrial requirements;
>
> "Better education to open the door to intellectual fulfillment for all our people and to equip them with the skills of modern technology;
>
> "Improved health facilities to protect our populations against the ravages of disease and to insure that they achieve maximum accomplishment in work and leisure; and
>
> "Wider economic integration to achieve a more rational utilization of Latin American resources and thereby to accelerate economic growth and social progress.
>
> "It is a great source of personal satisfaction to me that under my administration, the United States Congress has authorized the provision of $750 million for the Bank's expanded fund for special operations. The Bank, under Dr. Herrera's distinguished leadership, is making a strong

> contribution to the success of the Alliance for Progress
> By emphasizing in your new program the four
> areas which I have described, you are placing
> the Bank in the forefront of a new, dynamic
> effort. I commend you for your vision and
> initiative."

Mr. Chairman, the Bank has recently marked two significant anniversaries. The first of October of last year marked the fifth anniversary of the date on which the Bank officially began operations and in February of this year, the Bank completed five years from the date of approval of its first loan. This is an appropriate time, therefore, for the Governors to review the record of the Bank's operations during the first five years of its existence, and to examine its role as it has evolved and should evolve in the future. Moreover, we have just passed the fifth anniversary of the launching of the Alliance for Progress which has been marked by an assessment of the problems and accomplishments of this initial period, as well as by the new initiatives launched by the Inter-American Conference at Rio de Janeiro. This would appear to offer a good opportunity, on my part, to review the role of the United States in relation to the Bank and to the development efforts of the Latin American countries.

The Annual Report of the Bank and the excellent presentation by the President of the Bank have illuminated the record in a manner that leaves little need for further review. It is an impressive first five years: loan commitments totalling $1.5 billion to help finance total investments of over $4 billion, and disbursements of approximately $600 million. It can be estimated that the Bank's disbursements have resulted in completed investments on the order of $1.5 billion -- or an average annual rate of about $300 million. This is a remarkable achievement for an entirely new institution to have accomplished in so brief a period.

The Bank's operations, moreover, have been proceeding recently at an accelerating pace, and are assuming increasingly greater significance in the total flow of external funds to Latin America. During the five-year period, the total fresh commitment of external funds for long-term loans and grants by the United States and multilateral development agencies ggregated $7.5 billion. Approximately $1.4 billion of these ommitments were made by the International Bank for econstruction and Development Group, and $4.6 billion epresented various bilateral assistance programs of the nited States. The $1.5 billion of the Bank's commitments, including United States assistance through the Social Progress Trust Fund, represented about 20 percent of the aggregate five-year total.

An outstanding feature of the record during its first five years of operation is the Bank's proven ability to raise funds in private capital markets. As we all know, it is no mean task for a relatively new and unseasoned institution -- regardless of the backing provided by its member governments -- to meet the standards, and to generate the confidence required, to place its debentures at reasonable cost and on long term. As of the end of 1965, the Bank had successfully placed $285 million of its long-term bonds. Issues in the United States market totalled $225 million, while issues in the European markets were a disproportionately -- and disappointingly -- small $60 million. Despite persistent and energetic efforts, the Bank has experienced directly one of the crucial problems of the moment -- the lack of an adequate long-term capital market in Europe.

It is with considerable satisfaction that we have learned that the Bank -- since the period covered by the Annual Report -- has been able to place its bonds to the extent of an additional $89 million, in markets entirely outside the United States, in two operations of considerable significance. A $24 million long-term issue was placed in Italy this year, bringing the contribution of that country alone in this form of $48 million, or $12 million more than the long-term capital which the Bank has been able to raise in all the other European markets combined. The positive attitude displayed by the Italian authorities and investment community toward the Bank is indeed gratifying and should be welcomed by all its members. The Bank placed $65 million just this month in short-term issues, of which $57 million was subscribed by the Latin American members themselves through their central banks. The Latin American members of the Bank were already in the position of creditors as well as borrowers from the Bank, having initially subscribed to the paid-in capital in gold and dollars, as well as their own currencies, and to the callable capital in which they assumed a contingent liability of the Bank. This further tangible support of the Bank by its borrowing members not only provides new eloquent testimony of the confidence with which the Bank is viewed by its members, but further strengthens the reciprocal creditor/debtor relationship between the Bank and its members. At the same time, the multilateral nature of the Bank has been further underscored, giving all members an equal interest in assuring that the resources which they have together contributed are utilized in the most effective manner possible. This generous response to the Bank's needs has opened the way to new forms of cooperation between the Bank and its members which I am confident will be strengthened and made ever more fruitful in the years ahead.

Clearly, the Bank has grown substantially in its first five years, by all quantitative tests, and has become a very substantial source of financing for Latin America's social and economic development. But there has been qualitative growth as well, reflected in the Bank's present stature as a prime and respected source of techical advice and assistance to its members, and in its proven ability to provide leadership and to speak with authority in the affairs of the hemisphere. The great prestige of the Bank is reflected in commonly employed references to the Bank as "The Latin American Bank Par Excellence," the "Bank of the Alliance" and the "Bank of Integration."

The Bank antedated the Act of Bogota as well as the establishment of the Alliance for Progress and the Charter of Punta Del Este. But as these historic programs were promulgated, the Bank was quick to take up its proper role within them. Even as it was on the point of beginning its operations, the Bank assumed the new responsibility of administering the Social Progress Trust Fund -- which gave expression to broader areas of direct concern to the Bank than had been traditional in the development lending concept. In discharging its responsibilities as trustee, the Bank has developed and expanded the practice of looking beyond the immediate impact of individual projects toward the intimately related but broader questions of institutional change and social reform, and individual country efforts to further social progress as an indispensable prerequisite to effective utilization of loans for specific projects.

The experience of the first years led logically to the conclusion that the purely social and the purely economic areas of activity were in reality so closely linked as to be inseparable. Pursuing further the principles recognized in the Act of Bogota -- that economic development rests ultimately on social justice -- the Governors of the Bank wisely decided in Panama two years ago to expand the Fund for special operations and to merge into its operations those activities previously conducted by the Social Progress Trust Fund as a separate entity for purely social objectives.

Simultaneously, the Bank moved toward programing all of its activities -- in individual countries and in the region -- in relation to the comprehensive policy objectives of the Alliance for Progress and the progress of self-help efforts in its member countries needed to attain them. With the establishment of the Inter-American Committee for the Alliance for Progress -- CIP -- an effective Inter-American organ came into being for the continuing review of country programs and the role which all the external lending agencies, the Bank included, could play in strengthening these programs. Participation in the work of the CIP, as benefits the principal financial instruments of the Inter-American system, affords the Bank an opportunity for making its voice heard in the week-to-week review and implementation of multilateral policy, as well as in the various annual Ministerial meetings at which the Bank is represented.

The Bank has played an active and leading role -- under the inspired leadership of President Herrera -- in constantly emphasizing and stimulating forward movement in the process of economic integration in Latin America. The Bank has already initiated two significant programs directly affecting the process of integration. The export credit facility is important as a catalyst to stimulate the growth of trade and direct cooperative relationships between individual members of the the Bank in jointly furthering development. And the establishment last year of the Bank's Institute for Latin American Integration will assist in providing the necessary training and research, to explore in depth the problems of integration, and to support the efforts which are being made by Governments toward the objective of a free trade area.

Indicative of the fact that the Bank's growth has not stopped, and will not, is the new initiative on economic integration which is before us for action at this meeting. I refer to the proposed establishment of a fund within the Bank to finance feasibility studies of multi-national projects. My Government wholeheartedly supports the proposed resolution on this fund and will be prepared to reinforce the Bank's resources by providing supplementary loans for large-scale feasibility studies when preliminary investigation under the Bank's auspices indicates their desirability.

We have before us as well at this meeting a proposed resolution calling for a study of the Bank's future need for an increase in resources. I am pleased to indicate the full support of my Government to this proposed resolution. The Bank's ability to exercise leadership in the shaping of Latin America's future is obviously dependent on the continued availability of adequate and appropriate resources. I shall look forward with interest to the results of the study by the Board of Executive Directors -- which I am sure will once again display the high standards of competence we have come to rely on.

In consideration for the Bank's future need for resources, and in determining our response to this need, all of us need to give fresh thought to the Bank's operations and policies, of their future direction, and of the Bank's future role in the continuing movement toward the objectives of the Alliance for Progress. I should like to touch briefly upon one or two questions which appear to me to commend themselves for special attention.

I believe we need to give greater attention to the sectoral needs -- in addition to global needs -- for Latin American development. Foremost among these, I would urge special thought to the problems of agriculture and food, and the further intensive promotion of the economic integration movement. The Bank's Annual Report indicates that in the first five years of its operation the Bank's cumulative lending in the field of agriculture was 21 percent of the total. Does this figure reflect the proper distribution of emphasis which we should place on our operation during the next five years? Are we doing enough, for example, to meet the critical problem of mobilizing and developing human resources to the critical task before us? I can appreciate from my own experience the problems which the Governments of Latin America must face in finding a sufficient number of properly qualified and dedicated public servants in such key fields as taxation and public finance, and I wonder whether the Bank, in cooperation with other international and national lending agencies, could not plan to make a more intensive contribution toward the solution of this type of problem. Agriculture development and food production are assuming increasingly critical importance in the world today. With Latin America's vast resources of fertile and productive land, could the Bank do more to assist in developing Latin America's food production so that its needs for proper nutrition are more promptly and fully met? In addition to purely national efforts in this area, there are aspects of the food problem which would appear particularly ruitful to approach by means of multi-national efforts -- to pen up new areas in the hemisphere, and to develop an industrial ase to service agriculture by the production of fertilizer and pesticides, and modern tools and equipment.

As we ponder over the Bank's future direction and its needs for resources, I believe that it will become apparent that increasing emphasis must be placed on self-help efforts. The needs of individual countries, and the needs of the region, for external resources to finance high priority productive projects are apt to expand as the momentum of economic and social advance accelerates. It becomes increasingly necessary for all the members of the Bank to maximize the mobilization of their own domestic resources, and to devote them to the most productive purposes. Continued progress on tax and fiscal reforms will be necessary, as well as rigorous efforts to eliminate non-productive expenditures in favor of sound social and economic investments. I know the very real efforts now underway toward this end. Just before leaving Washington, I was fortunate in meeting with a number of Directors General of taxation from Latin American Governments who have been working with our Internal Revenue Service, and I had the opportunity of learning firsthand of the progress being made in the face of very difficult problems and obstacles.

The Bank has at its disposal scarce and increasingly expensive resources in the form of foreign exchange which are of especial value since -- unlike domestic resources -- they may be used to purchase abroad additional goods and services of a directly productive nature.

To the extent that demands are placed upon the Bank to finance directly or indirectly unproductive or low priority expenditures the entire region suffers by the failure to reap the benefits potentially available from the Bank's resources.

The financing of local costs with loans in foreign exchange can serve, and has served, a critical function in mobilizing resources for development -- particularly social development. I believe we must ask ourselves, however -- both in view of the limitations on local cost financing in the Bank's charter and in view of the Bank's limited resources -- how far the Bank should go in providing such financing. With continued progress in rationalizing tax structures, improving tax administration, and the restructuring of public expenditures to eliminate elements of waste and non-productive expenditures, it should be possible for the members themselves to finance an increasing share of the local currency requirements of projects -- with benefits accruing to all the members of the Bank from the enhanced availability of bank resources for high priority external uses and from a structure of external debt accumulation by individual countries consistent with the growth necessary to service such debt.

It is clear that there will be a great and continuing need to emphasize discipline both on the part of the Bank in forming its future operations, and of all its members, in the interests of our common objectives spelled out in the charter of the Alliance for Progress. Insofar as my own Government is concerned, the first five years of the Bank's operations have coincided with a period in which the United States has been particularly subject to discipline and restraint in its balance of payments. Although we have made considerable progress toward the solution of our balance of payments problem, the time has not yet come when we can afford to relax, and I cannot yet say when that point may be reached. In addition to the uncertainties inherent in the situation, we are facing particularly in the current year the imponderbles of developments in Vietnam and heir effects upon our balance of payments -- both directly and indirectly through their impact on our domestic economy.

The balancing of our external payments is an objective which wo United States Presidents have affirmed to be a matter of he highest national priority. We must and we will bring to an nd the succession of deficits which we have incurred in recent ears. Yet with all the restraints which this objective ecessarily imposes upon us, we have insisted on pursuing this oal in a responsible manner:

-- Responsible toward our economy, whose continued vigor and growth lies at the very heart of the long-range solution of the balance of payments problem;

-- responsible toward the peoples of Latin America and the rest of the developing world: the well-being of the developing nations relies to a great extent upon the maintenance of an expanding economy in the United States and other industrial nations, and the well-being of the developing nations, in turn, is vital to the economic and political interests of the Free World industrial nations;

-- responsible to foreign Governments and Central Banks, and countless other banks, business firms, and individuals, who have maintained confidence in the dollar, and with whom we will not break faith by adopting any facile but irresponsible solution to our payments problem.

> Although we have approached the solution of our payments problem in a responsible way, we remain concerned nonetheless over the potential problems which may emerge under conditions -- which would be unique in the post-World War II period -- where the United States no longer provides by its deficits the international liquidity needs of the rest of the Free World. It is for this reason that we have been concerned to prepare the way now, in advance of any potential crisis detrimental to us all, for a reform of the international monetary system.

As the Governors are aware, discussions are now under way with a view to assuring adequate and timely future reserve growth. I wish to welcome the understanding and interest which Latin American nations have displayed in connection with this matter.

As I indicated in my address to the Governors of the International Monetary Fund last Fall, all nations have a legitimate and vital interest in the reform of the international monetary system, and we have proposed arrangements to assure that their views will be heard at appropriate stages in the discussion of this reform.

We have not been deterred by our balance of payments problem from the responsibility of continuing our support of development efforts throughout the world through the continuation of our extensive foreign assistance program. In the case of social and economic developments in Latin America, the figures cited earlier demonstrate our continuing involvement.

There is not,and there will not be, any weakening of our resolve to provide adequate and appropriate assistance designed to achieve our mutual objectives under the Alliance for Progress.

As I have suggested should be done in relation to the future of the Bank, the United States is also engaged in a continuing reassessment, in consultation with aid recipients, of the aims and methods of its bilateral assistance programs. We have recently resolved to give greater attention to the critical bottlenecks to development in the areas of food production, education, and health. We continue to be concerned with the structure of the debt burden being accumulated by the developing nations, and we intend to press other capital-exporting nations to expand their assistance on terms consistent with reasonable expectations of the ability to service debt.

As the Governors are aware, the United States has made efforts in recent years to provide assistance in the form of transfers or real resources rather than merely financial resources. This practice of so-called "aid-tying" toward this end is an indispensable condition of United States assistance programs in our present balance of payments circumstances. We share completely the view that in the ideal world, foreign aid should not be so conditioned. In the rest of the world, however, we find that the distribution of assistance funds by individual donor countries bears no relationship to the presence of payments deficits or surpluses -- that is, to the ability to finance transfers of financial resources. We find, indeed, a combination of relatively short-term finance, high interest charges, and tied procurement in the case of some industrial nations clearly able to provide assistance on more liberal terms. I ask the Governors to understand that under these conditions the United States has no option, in continuing its own foreign assistance program, but to take whatever steps are needed, in cooperation with aid recipient countries to insure that our aid takes the form of a flow of additional real resources from the United States.

The program of responsible restraint on which the United States has embarked as a part of the measures to eliminate our payments deficit has included, in addition to an interest equalization tax imposed on foreign access to the United States capital market, a voluntary program whereby banks, other financial institutions, and corporations have limited their investment of funds abroad. In all of these programs, special care has been taken to exempt the developing nations, or (as in the case of the foreign bank credit program) to make clear and to emphasize the high-priority nature of a continued and adequate flow of private funds to meet the needs of the developing nations. We have also continued various official programs -- through A.I.D. and the Export-Import Bank -- to insure loans and investments made by our citizens in Latin America and other developing nations.

We have been guided to a large extent in these actions by the provisions of the Alliance for Progress Charter which stress the need to encourage and stimulate the flow of private investment funds into Latin America. The benefits to be derived from such flows go far beyond the merely financial; and are a vital force in the process of economic development.

For such financial investments are accompanied by the introduction of modern plant and technical processes, training of local manpower -- both skilled labor and executive and managerial personnel -- with an infusion of modern business methods and attitudes.

In a sense, such investments can bridge a century within a matter of years. Latin America has a unique opportunity at this time to take advantage of the unrestricted potential, and the available guarantees, for United States private investment. But exemptions and guarantees by the United States will not of themselves increase the private investment flow into Latin America. Such inducements are of no avail unless potential investors are convinced that they are welcome, that there are reasonably good prospects for economic and political stability and progress, and that the conditions under which they undertake to invest are not in constant jeopardy of being overturned to their detriment. Foreign investors will also respond to the creation of favorable conditions for their entry via the continued lowering of trade barriers and enlargement of free trade areas, and the development of policies which will lessen restraints on the repatriation of reasonable profits.

I believe there has developed in recent years a growing awareness among potential United States investors -- and this is true to a particularly high degree of the great multi-national corporations -- that it is incumbent upon them to maintain appropriate standards of conduct, including a sense of community and national responsibility in the host country, and to take account of the traditional and legitimate aspirations of the developing nations to participate in shaping their own economic advancement.

My government believes that the maintenance of conditions favorable for both domestic and foreign private investment is an indispensable feature of sound and constructive economic development Public funds and initiative alone, foreign and domestic, cannot successfully accomplish this task. My government is convinced of this proposition, because we have seen time and again the unfortunate results of a contrary policy which destroys confidence in the private sector. We view the inducement of foreign private investments as a particularly critical measure of self-help, without which the purposes of external public assistance are thwarted and impossible to attain.

My government has welcomed various initiatives which would help to clear the air of misunderstandings which have existed in these matters and would provide a suitable framework within which we could all get on with the common task before us. We have for some time -- from the early days of the Marshall Plan in Europe -- maintained a network of bilateral investment guarantee agreements. At the recent Inter-American Economic and Social Council meeting, the United States delegation commended to the study of Latin American governments a multilaterial instrument which would establish uniform procedures whereby individual participating governments guarantee the investments ot their nationals in other participating nations. Such an instrument could be of special interest and value to several of the Latin American countries which are beginning to develop, or can look forward to the eventual development, of a flow of private investment into other countries while themselves continuing to receive private investment flows from abroad. There is now under way in the International Bank for Reconstruction and Development a study which could point the way to multilateral coverage of risks arising from investment guarantees. Finally, I believe that the Latin American governments could make a useful contribution by reconsidering their position on the IBRD-sponsored multilateral Convention for the Settlement of Investment Disputes. Thirty-six nations have now signed this Convention. A decision by Latin American nations to accede to the Convention could only have a highly beneficial impact on the investment climate in the entire region.

We have been fortunate in the past few years to witness nteresting initiatives on the part of private investors themelves to develop new forms of partnership and cooperation with eveloping nations. The Bank has just approved a loan to the tlantic Development for Latin America which is a unique initiative n bringing together a pool of private capital, provided by leading ndustrial and financial concerns of the United States, Europe, anada, and Japan, who are ADELA's share-holders, to promote rivate investments in association with Latin American capital. should also like to mention another recent move of great promise n increasing exchanges and understanding between businessmen in country and Latin America -- the reorganization on a broadened d stronger basis of the Inter-American Council for Commerce and oduction. It is new directions such as these which will pave e way toward understanding and coordination, rather than conflict, tween national interests and multi-national business, with eat dividends for freedom and a healthy economic development of e Free World.

Mr. Chairman, both the Bank and the Alliance for Progress have completed their first five years. Many problems dormant for centuries have been attacked. Difficulties -- old and new -- have been encountered in the struggle for progress and they have not yet been overcome. But a good beginning has been made -- enough to give us a sound basis for greater confidence in our ability to make large strides ahead in the next five-year period before us. In the Alliance for Progress, the recent meeting of the IA-ECOSOC provided a new and useful action program and concluded that sufficient general progress had been attained to warrant greater selectivity and concentration on the key problem areas remaining for solution. The Act of Rio de Janeiro has set forth the principles which are soon to be reflected in a basic revision of the treaty of the Organization of American States. The Bank should now proceed to chart its own course for the future.

Although our attention in conducting the business of the Bank is usually couched in other terms, it is important, Mr. Chairman, that we not lose sight of the basic human objectives which animate us and the Alliance for Progress. They are the betterment of the lives of our peoples, by the elimination of poverty, malnutrition, disease, and ignorance. We seek to accomplish these objectives through a process of accelerated economic development, accompanied by social reforms and greater social justice, and all within a framework of respect for human dignity and the rights of the individuals, in a climate of freedom of expression and initiative. It is a mighty and challenging task which we have set for ourselves, but I have no doubt that in the end we shall together prevail.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

April 27, 1966

FOR IMMEDIATE RELEASE

TREASURY ANNOUNCES $9.3 BILLION
MAY REFUNDING

The Treasury announced today that it is offering holders of $9.3 billion of Treasury securities maturing May 15, 1966, the right to exchange them for a like face amount of 18-month 4-7/8% Treasury Notes of Series F-1967 to be dated May 15, 1966, and to mature November 15, 1967. The new notes will be offered at a price of 99.85 to yield about 4.98%.

The maturing issues eligible for exchange are as follows:

$8,289 million of 4% Treasury Notes of Series D-1966,
dated November 15, 1964; and

$1,028 million of 3-3/4% Treasury Bonds of 1966,
dated November 15, 1960.

The public holds $2.5 billion of the maturing securities, and about $6.8 billion is held by Federal Reserve and Government investment accounts.

Cash subscriptions for the new securities will not be received.

The books will be open for three days only, on May 2 through May 4, for the receipt of subscriptions. Subscriptions addressed to a Federal Reserve Bank or Branch, or to the Office of the Treasurer of the United States, and placed in the mail before midnight, May 4, will be considered as timely. The payment and delivery date for the new notes will be May 16, 1966. The new 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.

Coupons dated May 15, 1966, on the maturing securities should be detached and cashed when due. The May 15, 1966, interest due on registered securities will be paid by issue of interest checks in regular course to holders of record on April 15, 1966, the date the transfer books closed.

Interest on the 4-7/8% notes will be payable on November 15, 1966, and May 15 and November 15, 1967.

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 28, 1966

FOR RELEASE A.M. NEWSPAPERS
FRIDAY, APRIL 29, 1966

MORE FREQUENT PAYMENT OF INCOME TAXES WITHHELD BY EMPLOYERS SLATED TO TAKE EFFECT IN MID-JUNE

The Treasury Department announced today that it expects to put into effect in June a new system to reduce the time lag on the payment of income taxes withheld by employers. The new system also would cover social security taxes withheld by employers, and matching amounts paid by employers.

About 75,000 larger employers would be required to deposit payments of such taxes twice a month -- rather than once a month -- either at designated commercial banks or federal reserve banks. The semi-monthly payments under the new system would be due within three banking days after the 15th and the last day of each month, covering taxes withheld on regular weekly, biweekly, or semi-monthly payrolls up to and including the 15th or last day of each month.

The new payments plan would apply to any employer with $4,000 or more per month of the total of such taxes, that is -- the income and social security taxes withheld from employees as well as the employer's portion of the social security tax.

Any employer could comply with the new regulations by depositing an estimated amount of the taxes due. If this estimated amount is within 90 percent of the actual amount, there would be no penalties.

The new regulations would not change existing regulations for any employer with less than $4,000 per month in such taxes.

However, the Treasury intends to give further study to the question of whether the more rapid payments plan might appropriately be extended to employers other than the 75,000 larger employers who will be affected by the proposed regulations. Currently, about 4.5 million employers withhold income taxes from employees, and of these, approximately 1.5 million make monthly deposits covering such taxes, while the other 3 million pay such taxes once every three months -- by the close of the month following the end of each quarter.

The increased frequency of these employer deposits covering both the withheld income taxes and social security taxes is part of the effort of the Treasury Department and Internal Revenue Service to improve the efficiency of tax collection, and to put tax payments on a more current basis. The Tax Adjustment Act of 1966, signed by President Johnson on March 15, 1966, initiated a new graduated income tax withholding system for income taxes, to take effect on May 1, 1966, and made other changes in the tax law to put both individuals and corporations on a more current payments basis.

The new plan is expected to save the Federal government between $50 million and $75 million per year in interest costs on the public debt.

The new system would not increase the tax liability of any taxpayer -- either the employee whose wages or salary are subject to withholding at the source or the employer who withholds such taxes and turns them over to the Federal government.

As a result of the change-over to the new system, administrative budget receipts in fiscal year 1966 would be increased by approximately $1 billion on a one-shot basis. If the new payments plan were to be extended to all employers who now are subject to deposit requirements -- those with $100 or more per month of withheld income taxes and social security taxes--approximately 1.5 million employers would be affected and the effects on the federal budget, would be an additional half billion dollars.

Proposed regulations covering the new system for the payment of these taxes will be published in the Federal Register on Friday, April 29, 1966, with a notice that those interested will have 15 days to submit comments on the new rules.

ATTACHMENT:

For illustrative purposes, here is how the proposed regulations would work:

A larger employer, with $4,000 or more per month in withheld income taxes and social security taxes, would deposit in mid-June 1966 the taxes covering the month of May, which would be his last payment under current rules. He also would deposit, within three banking days after the 15th of June 1966 another tax payment covering income taxes withheld on regular weekly, biweekly or semi-monthly payrolls in the first half of June -- up to and including the 15th of the month. In the case of the one-shot doubling up in mid-June, the employer could make both his last deposit under the existing rules and his first semi-monthly deposit under the new rules by June 20th.

By July 6th -- three banking days after the close of June -- the larger employer would make a further deposit of taxes withheld from the wages and salaries of employees during the second half of June, and thereafter would continue to make such payments on a semi-monthly basis.

All employers would continue to file just one quarterly tax return covering such taxes.

The employer with $100 per month or more in withheld taxes (and social security taxes) would continue, as under present regulations, to deposit tax payments once a month -- on the 15th of the month following the close of each month during most of the year, and by the end of the following month at the close of each calendar quarter.

The small employer -- who has less than $100 of such taxes per month -- who now withholds such taxes and pays them quarterly with his tax return by the close of the month following each calendar quarter -- that is, by January 31, by April 30, by July 31, and by October 31 -- would continue to do so.

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TREASURY DEPARTMENT
Washington

FOR RELEASE A.M. NEWSPAPERS
TUESDAY, MAY 3, 1966

REMARKS BY THE HONORABLE ROBERT A. WALLACE
ASSISTANT SECRETARY OF THE TREASURY
BEFORE THE
SAVINGS BONDS CHAIRMEN AND THE ADVISORY COMMITTEE
FOR THE NORTHWEST AREA OHIO ON THE OCCASION OF THE
TWENTY-FIFTH ANNIVERSARY OF THE U. S. SAVINGS BOND PROGRAM
TOLEDO CLUB, TOLEDO, OHIO
MONDAY, MAY 2, 1966
6:30 P.M.

FEDERAL ECONOMIC POLICIES

Just twenty-five years ago yesterday, the late President Franklin D. Roosevelt purchased the first series E savings bond from Secretary of the Treasury Henry Morgenthau, to set in motion what President Johnson has called "the greatest thrift program the world has ever known."

And twenty-five years ago today, all over America, volunteers were already at work selling savings bonds to support the defense effort. Quite a number of you were among them -- and you're still at it. And because of your efforts, and those of other men and women like you, Americans now own nearly fifty billion dollars in series E and H bonds, and their holdings account for about twenty-three per cent of the publicly-held portion of the national debt.

I count it a special privilege to be with you tonight, on this date that so nearly coincides with the silver jubilee of the bond program -- and also to be in this wonderful volunteer country of Northwestern Ohio. This northwest area of 20 counties which your committee represents could well be considered a model of how the savings bonds program should operate. Bond sales are always good here; sales quotas are invariably met; there is always a rich supply of dedicated volunteers to take on any job.

And I guess this is hardly surprising, considering the type of leadership you have had. John Rohr, for instance, who served so long as Lucas County Chairman and now is your Northwest Area Chairman -- a man whose volunteer service to the government dates back to World War I. There is Henry Morse, the present Lucas County Chairman and a 25-year veteran. And there is Donald Dresser -- too young to be a 25-year man, but a very important volunteer -- the president of the Toledo Trust Company and our host for tonight -- and by the way, I want to pay the highest tribute to Toledo Trust for the part it has played and continues to play in making this city's school savings program for savings stamps and bonds the finest operation of its kind in the country.

And finally, may I say what an honor it is to have in this audience the distinguished former Secretary of the Treasury, John Snyder, whose continued devotion to the savings bond program is reflected by his membership in both Lucas County and northwest area volunteer committees.

This group truly represents the spirit of the savings bonds program -- the sort of dedication without which this program could never have succeeded, but with which it cannot fail.

Frankly, in meeting with this distinguished audience I expect to receive more insight and information than I impart to you. Moving as you do in the mainstream of the American economy puts you in a position to know the immediate, actual market developments that can so quickly change -- sometimes more quickly than many observers realize.

In fact, I think it ought to be required of government officials to meet as often as possible with groups such as this. I know, of course, your interest in what I have to say is because of my daily contact with policy-making economic decisions in the nation's capitol. No less important, however, is what you have to say -- the infusion into our thinking of your opinions and questions -- your firsthand awareness of what actually is happening in key areas of market demand. Our discussions help to weave together into a seamless fabric both the government policies which affect the economy and the actual market forces themselves.

In discussing with you today the state of the national economy, I should begin by saying that it is good -- very good. We are now in the sixth year of the longest and strongest economic expansion in the entire history of the United States. But this expansion did not come about by accident. It was the result of creative intelligent economic planning that began under President Kennedy in 1961 and has continued under President Johnson since 1963.

The Employment Act of 1946 recognized that the Federal Government must accept a vital share of responsibility for the performance of the American economy. The goals of this Act were precise: maximum employment, maximum production, and maximum purchasing power. In vigorously pursuing these objectives both President Kennedy and President Johnson have used fiscal and monetary policy, often in unprecedented, original ways, to accelerate and nurture continuous economic growth and expansion. We advanced from a country accustomed to periodic recessions to a nation capable of sustaining balanced economic growth during peace time. The past five years of unprecedented prosperity underwrite with emphasis this fact.

Our economy has been so healthy and our economic progress so rapid that it is sometimes difficult to appreciate and evaluate the gains we have made and from which all individuals have benefited. President Johnson recently pointed out:

> In only seven other countries of the world is total output in a year as large as the increase in our output in 1965. Our stock of private plant and equipment, valued in constant prices, increased as much as in 1965 alone as it did in the four years 1957 - 1960. The increase in federal cash receipts between fiscal years 1961 and 1967 -- in spite of $29 billion of tax cuts -- will exceed the entire cash receipts of the Federal Government in any peace time fiscal year prior to 1951.

During the past five years our gross national product -- the total value of all the goods and services we produce in a year -- has steadily increased. Our GNP has grown from an annual rate of $504 billion in 1960 to $714 billion during the first quarter of 1966 -- an increase of $210 billion or nearly 42 percent. Corporate profits after taxes have jumped 72 percent. The unemployment rate has shrunk from a 1961 high of over 7 percent to less than 4 percent.

And yet during this long, vigorous economic expansion -- despite steadily rising individual and business incomes -- prices have been remarkably stable. In fact, the United States has enjoyed greater price stability than any other industrialized country in the world -- and by a good margin.

The balance of payments deficit which in 1960 totaled nearly $4 billion, shrank to less than $1-1/2 billion during 1965. Although we have not reduced to an absolute minimum this imbalance, we have by the excellent progress already made strengthened the dollar throughout the world and restored world-wide confidence in its stability.

The federal budget deficit which in fiscal 1959 was over $12 billion -- the highest peace time level in history -- declined to $3-1/2 billion during the fiscal year ending last June 30th. I can tell you from first hand experiences that President Johnson means business when he demands that government agencies exercise strictest economy in all spending programs.

This unprecedented economic success in which we all have shared came about primarily because of the excellent cooperation between the private public sector of our economy and the Federal Government. Our record, as President Johnson has emphasized, "is a tribute to all sectors of our economy -- labor, business, and our public policy." We in the Treasury are cognizant and deeply appreciative of the outstanding work industrial leaders and businessmen like yourselves have done. We look forward toward making this creative partnership for prosperity more viable and meaningful in the years ahead.

For we are concerned more with the future than with the present. Can we continue the record smashing advances in output and income that we have made? Can it be done without inflation? Can we slash the incidence of poverty, ignorance and disease? Can we bear our rising defense burdens without jeopardizing essential social, medical, and scientific programs?

These are vital questions, for no matter what pursuits we follow as individuals, we are all inextricably bound together as a people toward achieving common national goals. Failure to achieve these goals, or to progress toward the realization of our national purposes, will result in failure of our own individual efforts as citizens and human beings in search of individual and family goals. Success in realizaing our national purposes, on the other hand, will bear fruits for every American.

If adequate economic growth over the coming year now seems assured, what about the danger of over-heating the economy -- of inflation? We are keeping a close watch on developments and, although there certainly has been upward pressures on prices, we find the American public -- as businessmen, as workers, as consumers -- have on balance acted with sensitive restraint.

There are many ways to deal with the problem of price pressures. An increase in taxes is one and this cannot be ruled out. Reductions in federal expenditures is another and President Johnson has told his executive agencies to postpone spending plans as much as possible. As the President has stressed, however, it is also important that there be voluntary restraint on capital investments, consumer spending, and wholehearted cooperation on the part of everyone to divert money away from the stream of spending into the stream of saving.

Certainly the demands for goods and services are running into heavy traffic. It is the rush hour. But if businesses and individuals heed the President's request to postpone expenditures, they will be letting the traffic thin out before getting on the highway themselves. The result will be benificial to everyone and an inflationary traffic jam of demand can be avoided.

If, instead, private expenditures continue to rise, and if there is no letup in defense needs, a tax increase may be the only effective way to control inflation. That is why it is so important that the President's plea be heeded.

It is in this context that U. S. savings bonds will play a vital role in the period which lies ahead. For the purchase of these bonds represent money savings that will shrink the demand for goods and services. Moreover, savings bond investments are a vital service of non-inflationary financing for the Government. The savings bond program thus represents one of our most effective anti-inflationary programs. By their purchase, as President Johnson recently said, "every one of us can contribute to conserving the buying power of our ... dollar."

In the days and months to come, all of us -- in Government, in banking and finance, in industry and commerce -- must share and bear an extra burden of responsibility in maintaining the steady economic growth of the past five years.

Meanwhile, we must keep a tight lid on Government expenditures and maintain Government revenues high enough not to increase aggregate demand too sharply. Wage increases should stay within the President's guideposts and keep in line with productivity increases. Price rises that swell already high profits should be avoided. Our monetary policies must continue to be based on the dual objectives of maintaining economic strength at home and financial strength abroad.

But a sound economic stabilization policy cannot be all negative. For economic as well as humanitarian reasons, we must better educate our children, improve the physical environment in which we work and live, reduce the toll of sickness and disease, provide job training for the poverty-stricken and retraining for workers displaced by automation. To prevent labor bottlenecks from occurring, we must constantly upgrade our national work force to keep pace with the myriad of technical innovations essential to steadily rising living standards. These objectives demand action by Government -- action which cannot be long deferred if the nation's to continue to grow and prosper. They also require enlightened, progressive leadership in every community to insure their success.

Amidst modern, fast moving economic developments, it is never possible to relax. To meet problems of recession and slow growth, we must encourage investment and promote steadily rising aggregate demand. When the economy faces the prospect of growing too fast, we have to guard against overheating. All of this requires a complex of flexible, modern economic policies appropriate to the needs of today's fast moving world. But most of all -- as I have tried to stress -- our future prosperity is dependent on all the diverse segments of our society -- business, agriculture, labor, and Government at all levels -- cooperating, understanding, reasoning together -- each contributing to the common purpose of a strong, prosperous, and free America.

Thank you very much.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

May 2, 1966

IMMEDIATE RELEASE

UNITED STATES MAKES A FURTHER TECHNICAL DRAWING FROM THE INTERNATIONAL MONETARY FUND

Secretary of the Treasury Henry H. Fowler today announced a further technical drawing by the United States from the International Monetary Fund. The new arrangements provide for periodic draw downs of up to $110 million in Canadian dollars.

These drawings continue the practice begun in February 1964 of obtaining currencies for sale to other countries that have repayments to make to the Fund.

The present arrangements will bring to $1,260 million the amount of U. S. drawings from the Fund. The bulk of these have been made in this "technical" series. A sizable part of these drawings has been offset by drawings of United States dollars by other countries. These restore the U. S. position in the Fund and in effect amount to repayment by the United States.

As a result the United States' liability to the Fund prior to these further drawings is about $564 million. Drawing rights in the "gold tranche" (virtually automatic U. S. drawing rights in the Fund) of $726 million remain. Part of these drawing rights result from the recent general increase of 25 percent in the Fund quota of the United States (also applicable to the quotas of other members).

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TREASURY DEPARTMENT

WASHINGTON, D.C.

May 2, 1966

BACKGROUND TO ANNOUNCEMENT OF UNITED STATES TECHNICAL DRAWING FROM THE INTERNATIONAL MONETARY FUND

A technical drawing by the United States of the currency of another country from the International Monetary Fund, such as announced today, permits countries in debt to the IMF to make arrangements for repayment without creating a new or potential drain upon United States gold holdings.

Arrangements for making such technical drawings were worked out in 1963 when the Fund's ability to accept dollars -- except from the United States -- approached the limit under the Fund's regulations. (The Fund may not accept dollars, except as a result of a United States drawing, after its holding of dollars reach 75 percent of the U. S. quota in the Fund.)

This meant that a country possessing dollars that it wished to use in repaying previous drawings from the Fund could not make the debt payment directly to the Fund in dollars.

It would be obliged, instead, to use its dollars (1) to buy gold with which to pay its Fund debt, or (2) to buy a currency the Fund was in position to accept as debt repayment.

The first course -- purchase of gold -- would in most cases result in a reduction of U. S. gold reserves. Usually, the gold would be purchased directly from the United States. However, gold purchases with dollars from any source would at least indirectly affect the U. S. gold stock.

The second course -- purchase of another currency -- would place the dollars in the hands of another country, where they would be a potential claim upon U. S. gold reserves.

(OVER)

To avoid either result:

1. The United States draws from the Fund (that is, purchases with dollars, since the Fund can accept dollars -- from the U. S. -- beyond the 75-percent-of-quota limit) a currency or currencies the Fund is in position to accept for debt repayments.

2. The United States sells the currency purchased from the Fund to a country wishing to make debt payments to the Fund.

3. The United States receives the dollars the debtor country has accumulated.

The end results of these transactions are:

-- The country in debt to the Fund gets currency the IMF is in position to accept, as a debt repayment. It winds up with a reduced debt to the Fund and with reduced dollar holdings. The net effect is that it has been able to use dollars indirectly to effect its debt payment to the Fund.

-- The country whose currency the U. S. purchases from the Fund for this purpose is not affected, since its currency is returned to the Fund (as a debt repayment) shortly after it is drawn out of the Fund, and in the same amount.

-- The dollars accumulated by the debtor country to pay its IMF debt wind up with the United States, instead of being used to buy gold, or instead of being transferred to a country where they would be a potential claim upon U. S. gold reserves.

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TREASURY DEPARTMENT

WASHINGTON. D.C.

OR RELEASE 6:30 P.M.,
onday, May 2, 1966.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced that the tenders for two series of Treasury lls, one series to be an additional issue of the bills dated February 3, 1966, id the other series to be dated May 5, 1966, which were offered on April 27, 1966, re opened at the Federal Reserve Banks today. Tenders were invited for $1,300,000,000, thereabouts, of 91-day bills and for $1,000,000,000, or thereabouts, of 182-day lls. The details of the two series are as follows:

NGE OF ACCEPTED MPETITIVE BIDS:	91-day Treasury bills maturing August 4, 1966		:	182-day Treasury bills maturing November 3, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	98.824 a/	4.652%	:	97.592 b/	4.763%
Low	98.815	4.688%	:	97.574	4.799%
Average	98.819	4.674% 1/	:	97.582	4.782% 1/

a/ Excepting 1 tender of $325,000; b/ Excepting 1 tender of $300,000
22% of the amount of 91-day bills bid for at the low price was accepted
69% of the amount of 182-day bills bid for at the low price was accepted

'AL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

istrict	Applied For	Accepted	:	Applied For	Accepted
oston	$ 19,708,000	$ 9,708,000	:	$ 25,343,000	$ 20,343,000
ew York	1,537,278,000	936,538,000	:	1,119,506,000	672,686,000
hiladelphia	33,505,000	21,505,000	:	15,855,000	7,855,000
leveland	23,138,000	23,138,000	:	28,698,000	28,698,000
ichmond	10,194,000	10,194,000	:	6,915,000	6,915,000
tlanta	31,989,000	26,497,000	:	16,564,000	13,944,000
iicago	250,302,000	114,844,000	:	262,297,000	109,437,000
. Louis	48,685,000	27,529,000	:	28,597,000	17,097,000
inneapolis	18,512,000	16,342,000	:	10,082,000	10,082,000
insas City	24,713,000	24,713,000	:	20,862,000	20,862,000
illas	26,620,000	16,840,000	:	13,989,000	9,989,000
in Francisco	97,614,000	72,224,000	:	97,254,000	82,254,000
TOTALS	$2,122,258,000	$1,300,072,000 c/		$1,645,962,000	$1,000,162,000 d/

ncludes $236,136,000 noncompetitive tenders accepted at the average price of 98.819
ncludes $125,152,000 noncompetitive tenders accepted at the average price of 97.582
hese rates are on a bank discount basis. The equivalent coupon issue yields are .80% for the 91-day bills, and 4.97% for the 182-day bills.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

May 2, 1966

FOR IMMEDIATE RELEASE

UNITED STATES AND KOREA TO DISCUSS
INCOME TAX TREATY

Representatives of the United States and of the Republic of Korea are expected in the near future to begin discussions on a proposed income tax treaty between the two countries. The talks are expected to get underway in Seoul in June.

The proposed treaty is intended to avoid double taxation and to promote trade and investment between the two countries. It will be concerned with the tax treatment of trading and other business enterprises, investment income and income from services.

The proposed treaty will, in general, follow the pattern for treaties with less developed countries, established in the recently concluded treaty with Israel.

Persons having an interest in an income tax treaty with the Republic of Korea may wish to examine the treaty with Israel, now pending in the Senate, as well as the statement by Assistant Secretary of the Treasury Stanley S. Surrey, contained in the hearings on the treaty with Thailand before the Subcommittee on Tax Treaties of the Senate Foreign Relations Committee held in August 1965.

Persons wishing to comment or offer suggestions or information concerning the proposed treaty are requested to address their comments, before May 27, 1966, to Assistant Secretary Surrey, Treasury Department, Washington, D. C. 20220.

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STATEMENT OF FRED B. SMITH
GENERAL COUNSEL, DEPARTMENT OF THE TREASURY
BEFORE THE
SUBCOMMITTEE ON MINERALS, MATERIALS AND FUELS
OF THE SENATE INTERIOR AND INSULAR AFFAIRS COMMITTEE
ON S. 2562 AND S. 1377
MAY 4, 1966

Mr. Chairman and Members of the Subcommittee:

I appreciate this opportunity to discuss with you today the subject of gold, particularly in relation to S. 2562 and S. 1377.

I am only the latest in a long line of Treasury witnesses to appear before Congressional committees in opposition to legislation to assist the gold mining industry through Federal payments amounting to subsidies. The Treasury Department has consistently opposed this type of legislation. In our view, nothing that has occurred in our domestic economy or in our international monetary, trade and payments situation in the last year would justify any change in this view. However, I think for those areas of the country which historically have been concerned with the production of gold and other important minerals, help lies not in the subsidy field nor in special tax concessions, but rather in the constructive field of research and development in which potentially significant steps are underway. Some developments in the area of discovering new deposits of gold hold out the promise of increased production on a profitable basis at the present $35 price. The Assistant Secretary of Interior, I understand, is prepared to discuss this area of interest more fully in his testimony before the Subcommittee.

First, I would like to point out that the Government's policy on gold is by and large the same today as it was in 1934 when Congress enacted the Gold Reserve Act. Our basic policy continues to be that of centralizing the gold stock of this country in the hands of the Government and maintaining a fixed price for gold. A fundamental aspect in maintaining the stability of the dollar in international trade and payments has been our policy of standing ready to buy and sell gold at a fixed price to foreign governments, central banks, and under certain conditions to international institutions, for the settlement of international balances and for other legitimate monetary purposes. Thus, the dollar has been accepted along with the traditional acceptability of gold.

Referring now to the bills before the Subcommittee:

S. 2562 would provide financial assistance to domestic producers of gold who can establish that their current costs of production are at least 125 percent of such costs in 1939. The payments would be based on a domestic costs-of-production formula. Producers in operation for a year prior to the date of enactment would receive basic annual payments equal to 5 percent of total gold bullion receipts during such year, plus 3.75 percent for each five-point increase in the Consumer Price Index. Those not in business prior to enactment would receive 125 percent of such gold bullion receipts during the year preceding the date of application for assistance. A formula for computing constructive costs of production is provided for operators who have no history of production in 1939 or the year preceding the application.

S. 1377 would establish a program to be administered by the Secretary of Interior for payments to domestic gold producers based on differences between costs of production in the last quarter of 1939 and current costs on an individual mine basis. The costs for which differential payments would be allowed would include those of labor, amortization of capital investment in equipment and construction necessary to efficient operations, mine rehabilitation, transportation, fringe benefits, supplies, materials, power and property taxes. Payments would be made only for gold produced and the eligibility requirements for such payments would include a requirement that gold production account for at least 50 percent of all the minerals produced by the particular mine.

The Treasury Department has been and continues to be opposed to the enactment of these and similar bills because they would lead to uncertainty and speculation with regard to the official price for gold. Subsidy payments to gold miners would, we believe, be interpreted by foreign countries as a recognition by the United States of a higher value for gold than the official rate of $35 an ounce and as possibly the first step toward an official revision of this price. The consequences would undoubtedly be an undermining of confidence in the stability of the United States price for gold in official international transactions. Overall, the result would be to shake confidence in the dollar and to aggravate our gold outflow problem.

A sound dollar in which the world has confidence is the basic underpinning for the international trade of the United States. As President Johnson made clear in his Message to Congress of February 10, 1965:

> "The dollar is, and will remain, as good as gold, freely convertible at $35 an ounce.
>
> "That pledge is backed by our firm determination to bring an end to our balance of payments deficit."

In his Economic Report of January 1965, President Johnson stated:

> "The stability of the American dollar is central not only to progress at home but to all our objectives abroad. There can be no question of our capacity and determination to maintain the gold value of the dollar at $35 an ounce. The full resources of this Nation are pledged to that end."

Not only is confidence in the dollar essential to our international trade, but the monetary system of the entire free world is dependent upon the convertibility maintained between gold and the dollar at the $35 price. Because of this assurance, the dollar along with gold is held in significant amounts in the reserves of countries of the free world. Should any doubt arise about the United States' intention to maintain the $35 price, confidence in the dollar could well be shaken to the point of causing great damage to our international trade and a disruption of the international monetary system.

The bills now before this Subcommittee would involve the payment by the United States Government of prices for gold which differ from the official U. S. price of $35 per ounce. What results could we foresee if such a system -- one which provided both for an official price in international transactions of $35 per ounce and other prices for new domestic gold production -- came into being? First of all, thought of in these terms, gold would be considered simply as a commodity. The producers of gold as a commodity would be paid a price which would reflect the cost of bringing the commodity to the market place. Under S. 2562, it is clear that this price would be in excess of $35 an ounce with respect to gold produced by mines eligible for payments thereunder. Under S. 1377, subsidy payments based on increased costs of operation on an individual mine basis would no doubt result in various prices, all above $35 per ounce, being paid by the Government for new domestic gold production. We know about the problems of the gold mining industry. Our resistance to paying this industry more than $35 an ounce is not based on lack of sympathy or of desire to be of assistance but rather the necessity of our considering a higher price for gold in the broad context of the United States' pre-eminent position in international trade and finance.

If the Government decided to come to the aid of this industry by paying subsidies, it is our considered opinion that this would be interpreted as a judgment by the United States that it believes gold to be worth more than $35 per ounce, or dollars to be worth less than that rate in terms of gold. This might lead foreign countries which hold dollars to decide that gold must be more valuable than the dollar and that the United States was on the way to raising its official price in international transactions. There would be a strong incentive for these governments to turn their dollar holdings into gold.

The increased rate of conversion of dollars into gold would cause a serious drain on our gold supplies and jeopardize our ability to maintain the international exchange stability of the dollar.

For these reasons the Treasury is opposed to the passage of S. 2562 and S. 1377.

TREASURY DEPARTMENT
Washington

FOR RELEASE: UPON DELIVERY

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY, TO THE
CHAMBER OF COMMERCE OF THE UNITED STATES
WASHINGTON, D. C., MAY 3, 1966, 12:30 P.M.

"THE BUSINESSMAN'S ROLE AND THE BALANCE OF PAYMENTS"

I am truly glad to be here before this distinguished business group today, because -- if I may borrow a phrase that may be familiar to some of you -- it is a good occasion for us to reason together.

And we need to reason -- in all seriousness -- together.

We need to reason together because we are engaged together upon the accomplishment of a great national goal set for us by four great Presidents: to insure that the dollar as the basis for Free World commerce and development will continue to be in the future, as it is today, "as good as gold". It is our task to achieve that objective without sacrificing the external military,diplomatic, and political position of the United States in a world that depends upon the United States in large measure for security, peace and freedom.

We need to reason together because your Government, instead of seeking to achieve this national goal by imposing laws and regulations upon you, and upon our economy of free enterprise, has established, with the advice of outstanding businessmen and bankers, a program of voluntary cooperation linking the American business and financial community and the American Government in a partnership of economic responsibility.

And, we need to reason together because we should be absolutely clear about an aspect of the balance of payments problem, and the President's program for mastering it, that is too easily overlooked:

This is not a program undertaken to attain some passing political end or far-off ideal, or to achieve any narrow objective. Quite the contrary.

We regard solving the balance of payments problem in a manner consistent with Free World leadership as one of the most important goals of national stewardship because, if we should fail in this purpose, all of us, as individuals, as businessmen, as a government and as a nation, at home and abroad, at present and in the future, will be injured.

The success that the President is determined to have with this problem will benefit all of us, as individuals and as businessmen.

It will benefit all of us again by strengthening us as a nation, by way of the continued strength it gives our economic agent, the dollar, at home and abroad.

It will benefit all of us again by strengthening the fabric of international political and financial relationships which have given the Free World two decades of relative security and the greatest economic advance, marked by the largest expansions of international investment and trade known to modern history.

The balance of payments program takes in all aspects of the country's foreign financial transactions. I will address myself today chiefly to two aspects of the payments program of direct concern to business -- private capital flows in international investment -- and the balance of trade, i.e., the mutual exchange of goods between U.S. enterprises and the outside world.

Balance of Payments Program and Private Capital Flows

The present balance of payments program, including the voluntary programs of cooperation with corporations engaged in foreign investment and operations and financial institutions lending abroad was not something hastily conceived as a first resort to meet a crisis that reared its head in late 1964. To demonstrate this I will risk taking a minute or so of your time with some recollections that are both personal and official.

In 1962, as Under Secretary of the Treasury, I was one of the people pondering the riddle of how to solve the balance of payments problem consistently with the preservation of economic freedom and our position in the Free World. In June of that year I went to Atlanta to speak to a business group. The subject may sound familiar to you today. It was, "Business and the Balance of Payments."

Yes, we were already, four years ago, convinced that to solve the balance of payments problem we would have to depend upon the cooperation of the United States business community. And, we were beginning then to think -- as we still think -- in terms of securing the interest and the help of the American business community through a program of voluntary cooperation.

I said in Atlanta four years ago:

> "It is important to the sound development of the European countries . . . that they expand and improve their own capital and savings markets, and make every effort to remove the many restrictions which burden those markets and inhibit the movement of funds into investment. . ."

The inadequacies of the European capital market even then threatened to result in an inordinate flow of dollars to do some of the work that European capital should be doing.

With this in mind, I urged in 1962 that U. S. businessmen should "voluntarily encourage the sort of response that is necessary" along the following lines:

> "It is . . . important to the nation and to American firms themselves, to encourage increasing interest in investing in American securities and in the American capital market by European institutions and individual investors. The shares of major American corporations should be listed on foreign stock exchanges, particularly in Europe and Japan, in greater numbers. American firms might also explore and seek out more fully opportunities for borrowing abroad, especially in support of the operations of their own foreign branches and subsidiaries. . ."

We sought, from the outset, a balance of payments program that would enable and encourage free market forces to deal with that part of the balance of payments problem that arises out of the shifting movements of private capital.

In 1962, speaking in Rome to an international group of bankers from Europe and North America, my predecessor, Secretary Douglas Dillon, appealed to the governments and institutions of the emerging financial powers in Western Europe. He urged them to permit and facilitate the better organization of private capital markets to increase the free flow of capital by removing the shackles of governmental restrictions that characterized most of that continent both before and particularly after World War II. The response was discouraging despite efforts later initiated in the OECD (Organization for Economic Cooperation and Development) to identify the specific impediments and to program their orderly removal.

Consequently, a disproportionate share of the burden of Free World private investment continued to fall upon the U. S. capital market. This resulted in such increases in the issuance of foreign securities in the United States in early 1963 as to require the enactment of the Interest Equalization Act, along with other measures to avoid a potential threat to the dollar. This tax was designed to bridge the gap between the ready availability and low cost of money our efficient capital markets permitted and the relatively high cost and lesser availability of money in European and other industrial countries.

Yet -- and this is characteristic of our approach to the balance of payments problem -- despite the fact that we were forced by factors outside our control to resort to this measure, we sought solutions that would permit the free flow of private capital.

As one of ten elements in his July 1963 program to meet this situation, the late President Kennedy appointed a Task Force in the Fall of 1963 that I was privileged to head. This Task Force was composed primarily of a distinguished group of persons from all elements in the private financial and industrial community concerned with international finance. President Kennedy charged it with developing programs that resulted in recommendations designed to:

1. Improve the U. S. balance of payments by increasing foreign investment in U. S. private securities;

2. Guide U.S.-based international corporations towards making greater use of foreign-held funds where they do business; and

3. Help establish conditions under which restraints upon the flow of capital between industrially advanced nations could be removed, diminished or allowed to expire.

The first of these sets of recommendations of the Task Force submitted in April 1964 is now embodied in the Foreign Investors Tax Act -- which we hope the Congress will enact this year -- designed to remove tax discrimination against foreign investment in the United States.

The second set of recommendations is reflected in part in those provisions of the President's balance of payments program, and the voluntary response of U. S. business to it, that seek to moderate the outflow of dollars for investment by securing the cooperation of U. S. businesses in making use of foreign held funds to finance their foreign affiliates.

The third is concerned with an area I have already touched upon -- the inadequacies, restrictions and inefficiencies of the capital markets of other industrialized countries.

May I quote briefly on this subject from the Summary Recommendations of the Task Force Report in which representatives of the government (The State Department, Treasury Department, and the Federal Reserve Board) joined with the private members of the group:

> "The Department of State and the Treasury Department should take bilateral diplomatic action aimed at securing the step-by-step removal of remaining exchange controls on capital transactions between advanced capital-forming countries and the discontinuance or liberalization of special exchange markets or procedures for investment transactions.
>
> "The Department of State and the Treasury Department should . . . urge countries with balance of payments surpluses to relax their capital issues control in order to permit an expanded volume of international lending.
>
> "The Department of State and the Treasury Department should, through appropriate international bodies, particularly the OECD, advocate the step-by-step relaxation of monetary, legal, institutional, and administrative restrictions on capital movements, together with other actions designed to increase the breadth and efficiency of free world capital markets."

Despite U.S. efforts in bilateral and multilateral councils to encourage it, the fact is that relatively little has been done on this score in the years intervening between Secretary Dillon's admonition in Rome in 1962 and the present. This has made doubly necessary our programs for moderating the flow of U.S. dollars to other developed countries through the voluntary programs on direct investment, and lending by financial institutions, initiated in February 1965.

May I observe that history and the record will show that your government has consistently sought to raise the banner of freedom for private capital formation and movement in the Free World just as it has defended principles of free international investment and liberalized trade.

Free investment by private capital formation and movement must be an objective of all the free industrialized nations -- notjust of one or two -- if the United States is to keep its capital market open to all demands, forego any concern with private capital outflows and at the same time protect the short term position of the dollar. We simply cannot discharge our present responsibilities under the rules of the international monetary system as it is presently constituted without taking into account what private capital flows do to our balance of payments.

Some of you may ask why we ask private companies and banks to moderate the outflow of their dollars abroad, on a short term basis, when, over the long pull, their investments will bring back earnings that benefit the balance of payments.

The answer is that we believe the immediate benefit to our balance of payments from a moderate rate of capital outflow in this period of pressure warrants some loss of benefit in the future, when our overall balance of payments position is expected to be stronger. Let me give you a little of the background.

In 1958, the United States had what later turned out to be the first of a series of balance of payments deficits significantly larger than had been the case in earlier years. While our payments deficits had been averaging less than $1 billion a year on both the overall and the official settlements accounting bases since 1950, in the three years 1958-1960 they jumped to an average of $3.7 billion on the overall basis and to $2.8 billion on the official settlements basis.

And, as the year ended, the leading European countries indicated that the postwar gap between their need for dollars and their dollar resources, which our postwar payments deficits had been filling in, had largely been closed. They signalled the end of the famous "dollar gap" by making their currencies convertible. And they signalled the closing of the dollar gap in another way, by beginning to draw on our gold reserves, through conversions of some of their officially held dollars. United States gold reserves stood at $22.8 billion at the beginning of 1958. Today, as a result of foreign gold purchases made possible by our payments deficits in the succeeding years, our monetary gold reserves have fallen to approximately $13.6 billion. It should be noted, however, that we still hold approximately a third of the Free World stock of monetary gold.

In the years 1961-64 our deficits adveraged four-tenths less than in 1958-60 on the official settlements basis and ran a third less on the overall basis.

This was accomplished chiefly by measures to reduce the net impact on our balance of payments of government expenditures abroad for military deployment and foreign aid, measures to maintain and improve our favorable trade balance, and to the increase in investment income from investments made in previous years.

The sum total of these improvements just mentioned would have nearly eliminated the deficit, if outflows from other sectors had remained unchanged. But increases in outflows elsewhere including, for example, increases in foreign bank lending, direct investment abroad and tourism, cancelled out a large proportion of the gains noted above.

The fact was that three-fifths to two-thirds of the problem remained. And, in 1964 and early 1965 an accelerating outflow of private capital, in the form of commercial bank and non-bank lending, purchases of short term securities and direct investment was wiping out these gains at an alarming pace, threatening to send the deficit to entirely unacceptable levels.

It became unmistakably clear that our balance of payments program would have to confront the outflow of private capital. Through an extensive series of deliberations that included the highest levels of government, and consultations of government with business and financial leaders, a program for doing this was devised meeting all of the following criteria:

1. It should diminish the immediate impact of the outflow of private funds upon our payments balance.

2. It should be consistent with preservation of the nation's economic effectiveness and its economic freedom.

3. It should aim at a solution without disrupting international trade or economic development, especially in the less developed countries.

The product is President Johnson's voluntary payments program announced a year ago February and strengthened and refined for 1966. In this program commercial banks -- under the guidance of the Federal Reserve -- were asked to restrict their loans to foreigners within reasonable limits, to give first priority to funds for export credits, and second priority to loans to less developed nations. United States industrial enterprises -- under the guidance of the Commerce Department -- were requested to moderate the outflow of capital and undertake a range of voluntary efforts to improve the effect of their transactions upon the balance of the nation's foreign accounts.

Under this program, the business and banking communities retain full discretion for the conduct of their affairs, weighing their own business considerations together with the broad national interest of which they and their businesses are a part. Private enterprises are asked to cooperate, and to report on their progress. There are no mandatory conditions or penalties in the program.

Let me make it clear that we fully recognize the fact that direct investment abroad ultimately returns handsome dividends to the United States in the form of repatriated earnings.

The problem very simply is that we cannot wait for the long run.

Investment outflows have been growing too fast in relation to the inflows they generate in the short term period. We cannot sit and wait for the return flows to mount, for in the meantime there would grow abroad an ever-rising tide of short term liquid claims on us -- claims that could seriously endanger the dollar and touch off a whole series of disastrous consequences that would affect all aspects of our nation's position in the world.

Another fact of critical importance here is the fact that in recent years some of the surplus countries -- notably France -- of continental Europe have made quite clear their unwillingness to accumulate more dollars without exchanging them for our gold. Under such circumstances, the United States and the existing Free World monetary system cannot afford continued deficits in the U. S. balance of payments because that would mean the continued erosion of our reserves.

We have asked, therefore, that -- for the time being -- corporations maintain the outflow from direct investment at an amount which our balance of payments can safely absorb.

Let me emphasize, as I have before, that these restraints are temporary measures, and are not designed to be of protracted duration. They are required to alleviate a serious and current problem. They are not viewed as a permanent solution.

In the meantime, we need the voluntary programs.

The stakes are high. They involve not only the best interests of the nation but the best interests of all who do business abroad. For the strength of our dollar, and the strength of our nation, and the strength of the international monetary system, is their strength as well.

Nor need our businesses and financial institutions feel they are carrying the burden alone. They are only being asked to bear a share of a burden that the government bore -- more or less alone -- for many years. As President Johnson made clear -- in connection with the intensified balance of payments program for 1966 announced last winter -- in the five years after 1960 intensive government effort resulted on an approximately 40 percent reduction in the balance of payments cost of military spending abroad -- despite rising costs overseas, the requirements of the Berlin build-up in 1962 and of the struggle in Vietnam. That effort also resulted in a full 50 percent reduction in the net balance of payments impact of foreign assistance. At the same time, we recognize -- and all must recognize -- that we cannot in the near future expect large savings in this area, whose potential for savings we have already so thoroughly explored and in such large measure exploited, and where the defense of freedom in Vietnam is raising the foreign exchange costs of the government this year.

> During the five years, 1961 to 1965, the net outflow of private capital for direct investment rose from $1.6 billion to $3.2 billion, an increase of 100 percent, that adversely affected our balance of payments by $1.6 billion. The outflow of bank capital doubled from $1.2 billion to $2.5 billion in the four years from 1960 to 1964.

It is not an answer to the problem to say that income from private foreign investment was about four-fifths as large as private investment outflows. What we need -- temporarily -- is a much more favorable relation of current investment outgo and income from past investment.

We must, therefore, in the words of President Johnson -- and I quote:

> "... reject the counsel of those who would have the government do the entire job, at whatever cost to American security and leadership. It is private outflow that has grown so sharply since 1960."

Nevertheless, we are not resting on our laurels in this respect. As recently as March 8, President Johnson told Cabinet Officers and the heads of government agencies in a public memorandum that:

> "... the requirements associated with Vietnam, both for military and for economic assistance, now demand even greater vigilance in controlling our overseas Federal transactions.
>
> "Your objective should be to maximize receipts and minimize expenditures abroad consistent with the achievement of U. S. objectives.
>
> "I have instructed the Director of the Bureau of the Budget to examine your reports carefully and to inform me of the progress which is being made by each Federal agency in assisting the Nation to achieve equilibrium in its balance of payments."

Thus, we must understand that, while the government can and will hold to its essential minimum 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 security of the nation is advanced -- then we are all well served.

And, as I have made clear, 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 the broadest possible areas of opportunity for free enterprise. Ours is an interdependent world, and interdependence has its costs. We must be prepared to meet those costs, for only by doing so can we keep the world safe and strong for free peoples and free enterprise.

The Balance of Payments Program
and Foreign Trade

There remain for discussion several aspects of one other major element of the balance of payments situation of mutual concern to business and government -- the relationship of foreign trade to our balance of payments program and vice versa.

Let us begin by getting a perspective on the importance of foreign trade to a solution of our balance of payments problem.

> Had our merchandise trade surplus -- this excludes shipments of military goods -- remained in 1965 at the $6.7 billion total achieved in 1964, the United States would have had a surplus in its balance of payments exceeding a half billion dollars in 1965.

But, the merchandise trade surplus in 1965 declined to $4.8 billion, or nearly $2 billion less than 1964, and the nation had a $1.3 billion balance of payments deficit.

The fact that this drop in our trade surplus occurred in the first year of the voluntary program has given rise to the assertion or inference on the part of some that the restraint on investment under the voluntary program adversely affected our trade surplus by reducing exports.

But, what are the facts?

--Let me note that throughout, here, we will be talking about merchandise exports, excluding military shipments.

Fact Number One has already been mentioned, but it bears repeating. Fact Number One is that the voluntary program does not reduce overseas investment. Instead, the voluntary program provides for large increases, amounting in the case of direct investment to an annual rate 30 percent above the yearly direct investment outflow in the years 1962 through 1964.

> Thus, to the extent that American investments abroad generate American exports, the annual investment increases under the voluntary program will tend to increase our trade surplus.

Fact Number Two has to do with the correct use of the trade and investment figures. It is true that our trade surplus was lower in 1965 than in 1964. But several other truths should also be noted. Overseas investment rose during 1965 by nearly $900 million. That was by far the largest direct investment increase in many years. And, it was more than twice the size of the direct investment increase in 1964, when we had an extraordinarily large increase in our exports.

> This should make us chary of trying to relate either the voluntary program or overseas investment to our trade results. We see exports increasing by no less than 14.6 percent in 1964, when there was no voluntary program and when direct investment went up by $401 million. But -- exports rose only 3.9 percent in 1965, when there was a voluntary program, but when direct investment rose by $890 million, a record for any recent year except 1956.

Fact Number Three has to do with the relation between the bank lending portion of the voluntary program and our trade results.

> Data collected by the Treasury Department on long term bank commitments for financing U. S. exports were over $20 million higher in the last three quarters of 1965, after the voluntary program was initiated, than in the comparable period in 1964.

> Further, the Treasury made a special survey of export financing. A very great majority of the respondents said that export financing did not become more difficult after the voluntary program went into effect.

Fact Number Four concerns what is currently happening to our trade, with the voluntary program still in effect, and, indeed, considerably tightened by comparison with the 1965 program.

> In the first three months of this year our exports rose to an annual rate $3.5 billion higher than in 1964, our best trade year.

Fact Number Five has to do with why, in reality, we had a much lower trade surplus in 1965 than we had in 1964.

It should first be noted that our $6.7 billion trade surplus in 1964 was by all odds the highest in any recent year, partly because of unusual factors. The 1965 surplus of $4.8 billion was nearly $2 billion lower than the 1964 figure. But by comparison with other recent years, and with the average of our trade surpluses since 1960, our trade result in 1965 shows up much better.

The 1965 trade surplus, for instance, was only some $284 million lower than the surplus for 1963. It was $362 million higher than the surplus in 1962. And, the 1965 surplus was within 8 percent of the six year average, 1960-1965.

Second, we did not get a repetition in 1965 of the very large agricultural exports which were a main factor in creating the extraordinary 1964 surplus, and which in turn was due to bad harvests in Europe, and wheat purchases by the Soviet Union.

Third, in 1964 our export markets were experiencing better times, economically, than they did in 1965.

Fourth, exports did rise in 1965, by approximately 4 percent. What chiefly narrowed the 1965 trade surplus was a huge rise of imports, which increased by no less than 15.6 percent. The rise in imports is of course in no way attributable to the balance of payments program moderating overseas lending and investment.

Finally, anticipation late in 1964 of a dock strike early in 1965 -- which did come about -- probably inflated 1964 exports by nearly a quarter of a billion dollars and reduced 1965 exports by a like amount.

More could be said on this subject, but I think there is no need, until this rumor raises its mistaken head again. When it does, I hope that you will be watching for a new edition of this facts and figures truth bulletin about the relationship of our balance of payments program to our international trade.

But -- the fact that there is no evidence that our exports were significantly affected by our balance of payments program is by no means the same as saying that we are not concerned about the growth of our trade surplus. We are concerned, indeed. We have been careful to try to learn the facts that I have just been over with you not because we want them to win political statistics-slinging matches, but because we need them to try and find a cure. The situation boils down to this:

> Although exports are increasing, imports are increasing faster. This was true in 1965, when imports rose by nearly 16 percent, while exports rose only a quarter that much. And there is a slight trend in this direction when recent years are averaged.
>
> For the first quarter of this year, imports on an annual rate basis increased about one and a half times as fast as exports. But this does not necessarily predict the entire year. For instance, to note what can currently only be taken as a straw in the wind, in March exports were higher than imports.

Nevertheless, it is obvious that the answer to avoiding a shrinkage in our trade surplus lies chiefly in getting out exports to assume a more favorable relationship to our imports.

We are moving to do so.

We are holding to our positive, competitive ways. Our chief weapon will continue to be the competitiveness and good balance of our own economy, which means an economy capable of producing all the goods we need for ourselves and at the same time to satisfy all foreign orders -- orders for exports -- on schedule and at world competitive prices.

This brings us back to the fact that wherever we turn in our foreign economic problems, we come face to face with the fact that they will be solved in the end, and for the long run, chiefly by reason of the vigor, productivity and balance of our domestic economy.

And that brings us to the fact that for many years now we have been fostering the conditions in our domestic economy that will make us strong in the international economy. While most public attention has been given to measures that resulted in increasing demand, I wish to emphasize the measures we undertook -- early and vigorously -- to ensure increases in capacity, increases in productivity and reductions in cost. I refer to the domestic measures with which you are familiar -- tax reduction, depreciation reform, an investment tax credit and reduction in corporate taxes -- all designed to put the highest productivity tools into the hands of American workers and American management, plus massive programs to upgrade the training of our workforce so that it can make full use of these tools.

That is, while we were moving through tax reduction and other means to stimulate demand to the point where the American workforce would be fully employed, we foresaw that when that happy condition arrived it would be self defeating unless we had also moved in good time to stimulate commensurate growth of capacity to satisfy demand, by means of adding to productive capacity, and adding to productivity.

To the extent that the rise of imports is due to the increasingly fuller use of capacity and available manpower in this country, the steps we have taken to permit and encourage our capacity to produce to keep pace with the growth of demand should reduce our relative need for imports, and reduce their competitiveness in the American market.

We are continuing to work on the other side of the scale, by attempting to increase our exports. The tremendous recent growth of capital investment in the United States has increased our ability to produce for export and, by raising productivity and lowering costs, it has increased the ability of our exports to compete in foreign markets.

Mr. Harold Linder has just announced a long list of adjustments in the policies of the Export-Import Bank, which he heads, to make the financing of American exports more convenient and less costly.

The Commerce Department is working with American companies in a program designed to bring the American producer and the foreign importer together, and to assist the American producer to make, package and deliver his product in the most effective way for sale in a foreign market.

The Secretary of Agriculture is looking for ways to push our foreign sales in his very important sector.

Conclusion

Basically, however, as I have said, the solution with respect to the trade balance is the same as it is for the balance of payments as a whole: a strong, growing, high-productivity, competitive economy in which the forces of demand and of supply are well equated, and where the private sector and the government both take a responsible view of the importance of avoiding inflationary policies or actions.

That is the kind of economy we have in the United States. That is why I am confident that we can look forward to an improving trade balance as one of the main elements in the long term solution of our international payments problem.

This is not the only reason, however, for thinking that the United States balance of payments deficits are no more necessarily permanent than the famous dollar gap, which, as we have noted, suddenly vanished at the end of the 1950s, although it had been pronounced quite permanent by almost everybody.

There are a number of reasons, in addition to the trade prospects, for keeping it in mind that our balance of payments problem will not necessarily be with us forever, or even for a long time, just because it is so often said that it might.

For one thing, very substantial progress towards elimination of our payments deficits has been made. The deficit was reduced by $1.5 billion, and totalled, for 1965 as a whole, $1.3 billion on the overall, or liquidity, accounting basis. This was the smallest deficit since 1957 and was less than half the $3 billion average deficit on this basis in the seven years 1958 through 1964.

Today, the chief imponderables are the direct foreign exchange costs, and the indirect effects upon our balance of payments of the fighting in Vietnam. That is a problem which -- God willing -- will not always be with us.

Secondly, there are signs that the rate of profits on direct investments in Europe is not as large as it was only a few years ago -- signs even that it is now not very much higher than in this country.

Third, the balance of payments program itself is tending to cause improvement in another highly important sector: the capital markets of many other industrialized nations. With the dollar outflow moderated, and with American corporations actively seeking funds abroad, foreign capital markets are finding more depth and resilience than they thought they had. I think that we can look forward to a permanent improvement in foreign capital markets that in turn reduces the need for measures on our part to guard against over-dependence upon our capital market. Incidentally, we are hopeful that from the OECD (the Organization for Economic Cooperation and Development) there will be forthcoming, a report on this subject of long term significance.

Further, we are nearing the final stages of a process by which we hope and believe that the entire Free World monetary system will be improved by the introduction of means for increasing the speed and smoothness with which the system is able to adjust balance of payments deficits and surpluses, and, when needed, put new international reserves into circulation.

Consequently, to those who say that the moderation of the outflow of dollars that is unavoidably a part of the current balance of payments picture is something that has come to stay, I say that there are many good reasons to conclude that such is simply not the case.

I am certain that we shall continue to have your ready cooperation in bringing our payments into equilbirium so long as forces beyond our immediate control require it. You may be equally certain that as soon as the more enduring measures that we have been discussing make it possible to dispense with the voluntary program for moderating our capital outflow, that will be done.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

May 4, 1966

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 $2,300,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing May 12, 1966, in the amount of $2,303,788,000, as follows:

91-day bills (to maturity date) to be issued May 12, 1966, in the amount of $1,300,000,000, or thereabouts, representing an additional amount of bills dated February 10, 1966, and to mature August 11, 1966, originally issued in the amount of $1,001,108,000, the additional and original bills to be freely interchangeable.

182-day bills, for $1,000,000,000, or thereabouts, to be dated May 12, 1966, and to mature November 10, 1966.

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving time, Monday, May 9, 1966. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for each issue for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on May 12, 1966, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 12, 1966. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT
Washington

FOR RELEASE A.M. NEWSPAPERS
THURSDAY, MAY 5, 1966

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AT A DINNER HONORING THE PRESIDENTS OF
THE AMERICAN BANKERS ASSOCIATION,
THE ASSOCIATION OF RESERVE CITY BANKERS, AND
THE MORTGAGE BANKERS OF AMERICA,
AT THE
CHARLOTTE COUNTRY CLUB, CHARLOTTE, NORTH CAROLINA
WEDNESDAY, MAY 4, 1966, AT 7:30 P.M., EST

North Carolina is famous for many products -- among them textiles, furniture and tobacco. It seems there's also something about the North Carolina climate that produces leading bankers.

I am delighted to be here tonight, at this dinner honoring three outstanding North Carolinians -- Archie Davis, Addison Reese and Clifford Cameron, who are the presidents, respectively, of the American Bankers Association; the Association of Reserve City Bankers and the Mortgage Bankers of America.

Perhaps I should have invited my friend, Attorney General Nicholas Katzenbach, to come along to this affair -- and to launch on the spot an investigation of how North Carolina bankers have managed to get a monopoly grasp on the top positions in three of our leading banking associations.

However, I already know the answer. It is because they have the capacity for hard headed, courageous and dedicated leadership.

This has been nowhere better manifest than in the position taken in recent weeks by Archie Davis. As President of the American Bankers Associations he has pointed up, and I applaud him for it, the unique position of commercial bankers -- this year, now -- to exercise responsible restraint in reflecting the anti-inflationary monetary policy announced last December by the Federal Reserve Board. Mr. Davis has provided the standard, urging that the banker "must use every skill at his command to allocate his lendable funds to the most economically justifiable uses -- which, under these circumstances, mean credit uses that will help curtail rather than augment inflationary pressures." It is essential that, at this juncture in national affairs, bankers weed out the less productive, the less deserving, the speculative loans.

A month ago, speaking to the Reserve City Bankers Association of which Mr. Addison Reese is the retiring President, I made reference to a related phase of responsible restraint saying:

> "I would hope, also, that there will be an accompanying disengagement from unreasoning competition for time and savings deposits that ignores the need for caution and the harm that kind of competition can do to our banking and financial system."

Just this week Mr. Davis spoke out against the "bidding away" of savings from other financial institutions which may damage them and add to the lending power of the bidding bankswhich the Federal Reserve policy is trying to hold down.

I commend him for it and hope that this message is carried home effectively to all our nation's bankers.

Federal debt management also has a role to play in achieving the broad economic objectives which are our mutual concern. This is why, this past February, we took the opportunity while refunding the mid-February maturities, to offer the holders of April, May and August 1966 issues an exchange into a new 4-3/4 year 5 percent note.

This move achieved some useful debt extension and lightened significantly the refunding tasks of May and August. The pre-refunding of February left just $2.5 billion of the May maturities in public hands. Today we close the books on that refunding where we offered holders of the maturing issues a 18-month note with a coupon of 4-7/8 percent, discounted to yield 4.98 percent.

It may be of interest to note that while the total Treasury debt today is some $3 billion greater than a year ago, our last reading showed that Treasury debt in the hands of the public was actually down by $1.1 billion over the year. And for those who sometimes look to Government financial policies as the source of undue monetary expansion. I would remind you that commercial bank holdings of Treasury debt are down by $3 billion in the past year. No doubt this decline in bank holdings has made our financing task a bit more difficult and costly, but it has also provided rather striking evidence that our deficit has been financed with genuine savings accumulations.

After taking account of net sales of Federally owned financial assets and direct Federal agency issues, and balancing this against the decline in holdings of Treasury obligations in the hands of the public, we would estimate that the Federal sector will make only a modest net demand for credit on the private economy for this fiscal year -- perhaps on the order of two or three billion dollars. More impressive still, according to current plans, we would expect the Federal sector to make little or no net credit demand on the rest of the economy in fiscal 1967.

Turning to another aspect of our national credit structure which involves some very important legislation now pending before the Congress, I will exploit this opportunity to make a few remarks to this group of financial leaders on the longer term perspective of a key policy issue embodied in this legislation.

President Johnson on April 20, 1966 transmitted to Congress a bill called the Participation Sales Act of 1966, to provide for a coordinated program, through the Federal National Mortgage Association, of sales of participations in pools of financial assets held by various Federal agencies.

The basic purpose of this legislation -- as you know -- is to encourage the substitution of private for public credit in various major Federal credit programs. Given the desirability of drawing in greater private participation in the Federal credit programs, the sale of interests in pools of assets is the most satisfactory and economical means that has been devised to meet this end.

The technique now proposed for sales of assets has evolved gradually during the past three Administrations, stretching back in time to the mid-1950's.

A guiding principle of this policy is that Federal credit should supplement or stimulate private lending rather than substitute for it. This is a matter of basic economic philosophy, as well as a recognition of the fact that the private market should, and will, continue to account for the bulk of all credit extensions.

Federal credit programs, working through the private market, help to make the market stronger, more competitive, and better able to serve the economy's needs over the long-term, than if the Federal credit programs unnecessarily pre-empted functions that private lenders could perform effectively.

Carrying through these principles and recommendations, increased emphasis has been placed in recent years on greater use of Government guarantees of private credit and on direct sales of individual Government loans to private lenders. More recently, sales of individual loans have been supplemented by pooling large numbers of loans and selling certificates of participation in such pools.

As some of you know, the growth of programs involving either the direct extension of credit by the Federal government or the government guarantee or government insurance for loans made by private institutions traces back to 1917, and the organization of the Federal Land Banks. Before 1932, the only significant Federal credit programs were in the agricultural area. In working our way out of the Great Depression, Federal credit programs played an important role, and the total of Federal credit extended increased from about $300 million in 1929 to a total of $6.2 billion for direct and insured loans in 1934.

In the years leading up to World War II, Federal Government lending and insurance programs averaged about $3 billion annually.

The need for war production loans, guaranteed through Federal Reserve Banks under Regulation V, and other factors contributed to a substantial increase in Federal credit programs during World War II. In the period after World War II, there was another substantial expansion of Federal credit programs. Housing credit played an overwhelming role in this expansion. Between 1946 and 1958, for example,

$54 billion in Federal credit -- on a net basis -- was injected into the economy, with $46 billion of the total being housing credit.

Today, there are approximately 100 different Federal credit programs, where the government assumes all or part of the credit risk. These Federal credit programs have successfully enabled sizeable groups of our citizens to share in economic progress, and these programs, authorized in every instance by Congress, also are making significant contributions to the vital tasks of community development, education and health, the development of resources and other goals.

Characteristically, Federal credit programs start with a need for credit, where the nature of the risk or other factors make it clear that the need is not being met adequately by private credit.

We expect that the total outstanding for direct loans -- for all government agencies -- will be $33.3 billion on June 30 of this year, up from $33.1 billion a year ago and $25.1 billion four years earlier. In fact, it has risen in every year in the recent period.

Now this is where the Participation Sales Act of 1966 comes in -- because with the techniques that would be made possible under this legislation, we would hope to be able to achieve a reduction in that portfolio to $31.5 billion in the course of fiscal year 1967. This would be accomplished by selling some $4.7 billion of assets, mainly through the participation sales device, back to the private sector.

Essentially, neither the basic philosophy nor the technique involved in the Participation Sales Act of 1966 would be new. Rather it is an extension to additional credit programs of what we have already been doing with some success on a more limited scale.

The substantive policy was laid down a considerable time ago.

President Eisenhower, for example, sought legislation in 1954 to encourage greater substitution of private financing for Federal outlays in our housing programs.

The Veterans Administration and the Federal National Mortgage Association, as well as the Export-Import Bank, have been pooling their assets -- their loans -- and have been selling participations in these loan pools for some time.

One of the basic underlying principles of the 1961 report of the Commission on Money and Credit -- on which I am proud to have served -- was that private credit should be substituted for public credit as soon as private investors are able to take over the credit involved. The Commission, after evaluating Federal credit programs, stated that:

> "Government intervention to improve the effectiveness of credit markets should be designed to influence existing private financial institutions or to stimulate new private institutions rather than to establish governmental direct lending agencies."

In 1962, President Kennedy's Committee on Federal Credit Programs -- comprised of Treasury Secretary Douglas Dillon, Federal Reserve Board Chairman William McChesney Martin, Chairman Walter Heller of the Council of Economic Advisers and David E. Bell, who then was the President's Budget Director -- said this:

> "Government-financed credit programs should, in principle, supplement or stimulate private lending, rather than substitute for it. They should not be established or continued unless they are clearly needed. Unless the urgency of other goals makes private participations infeasible, the methods should facilitate private financing, and thus encourage long-run achievement of program objectives with a minimum of Government aid."

In transmitting the Administration's draft of legislation to broaden and deepen the channels between the public and private credit markets, President Johnson recently observed that -- as desirable as government loans to farmers, to businessmen, to home buyers, to veterans, to students, to colleges and to others are -- "federal lending neither can, nor should, shoulder the entire job.

"Under our system of free enterprise" -- the President continued -- "it is far better for the Government to mobilize private capital to these ends. And it is far better for the Government to stimulate and supplement private lending rather than to substitute for it. . . . This substitution of private for public credit provides sound financing for worthwhile projects with a minimum of Federal participation."

In developing legislative recommendations -- as in the making of business and personal decisions -- it is both logical and customary to examine the alternatives.

Given the size and nature of government credit programs, we could, of course, have continued to carry a rising volume of direct government loans in the portfolios of Federal Credit agencies. But there was no logic in continuing to build and carry a higher and higher volume of direct government loans. When President Johnson sent his budget message to Congress last January 24, he said this:

> "In recent budgets, I have pressed for the encouragement of private financing in the major Federal credit programs wherever I have felt it to be consistent with the public interest. I will need the cooperation of the Congress to carry this effort farther in the coming year.
>
> "This is an important and sensible way to manage our Federal credit programs."

This -- then -- summarizes the background of the Participation Sales Act of 1966.

Even with the broad base of bipartisan support for the principles embodied, I know that some questions have been raised about just how it would work, and I would like, therefore, to make several additional points about it:

1. The pending legislation does not create a new set of subsidized government loan programs.

2. We are well aware that in seeking to deepen and widen the channels between public and private credit markets that it would be pointless to attempt to press more on the market than it can readily absorb.

3. This program does not involve "back-door" financing or budget "gimmickry" and we are not trying to set up a "federal hockshop" for loan paper of questionable or doubtful value.

4. We expect to find that the cost difference between financing these credit programs through direct Treasury borrowing and in channeling such assets to the private credit market by way of participation sales will be narrow -- and if anything may tend to decline, particularly after both private investors and the government have gained useful experience under the program.

5. The entire participation sales program will operate in such a way -- a way that I strongly favor -- as to give the appropriate Congressional committees more rather than less control over the marketing of loans that will go into the participation pools.

Now permit me to turn briefly to another program in which President Johnson and I have a great interest -- our Savings Bond program.

The other day a gentleman called the Treasury Department to inquire about the Savings Bond campaign, and remarked that there seems to be a big new push going on now to sell Savings Bonds. I was delighted to hear about his comment -- because he is entirely correct.

President Johnson, Vice President Humphrey, members of the Cabinet, members of Congress, and many of you here tonight are contributing to this increasing awareness that our Savings Bond program has more meaning, more significance and more value to our nation today than at any time since

As the Vice President put it at a recent Washington meeting -- "Savings Bonds have a very unique place in the history of our country. People all over this land feel a little closer to their government when they have a bond that has the seal of the United States Government upon it. It is more than a document and more than a piece of paper. It is a commitment on the part of a citizen to his Government, to this democracy, to the purposes of this nation and to its present and to its future."

I can only voice my support for what the Vice President said -- and I hope we all can continue to speak out with some of the feeling he expressed, to further the cause of our Savings Bond program.

In recent years we have witnessed the emergence of a penetrating interest by those concerned with public affairs and the effective use of our money and credit system to promote our national economic objectives -- a healthy rate of growth, full employment, price stability and a balance in our international payments.

Increased understanding and utilization of fiscal policy, monetary policy, debt management policies, and policies dealing with international financial relationships have received well merited emphasis. Moreover, the importance of arriving at the proper combination of these policy instruments and their coordination for achieving national economic goals has been underscored.

The monumental study covered by the National Commission on Money and Credit in its historic Report made in 1961 was one of many efforts to bring attention to these subjects. But there was another chapter in that Report which should be noted. I refer to the handling of Federal credit programs and policies. The Report of the Committee on Federal Credit Programs, chaired by Secretary Dillon and referred to earlier, which was presented to the President of the United States in February 1963 carried the dialogue on this subject another major step forward. The Participation Sales Act of 1966 will carry out one important aspect of the policies developed in these studies. But I am sure that all the long term quasi-public demands for credit that loom in the years ahead will call for appropriate treatment of many other aspects of this topic. I commend it to your attention and urge that the leaders of private financial institutions and organizations represented here tonight devote major attention to this area of public policy in the years ahead.

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 5, 1966

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN APRIL

During April 1966, 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 $27,065,500.00.

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TREASURY DEPARTMENT
Washington

FOR RELEASE: UPON DELIVERY

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AT
THE NINTH ANNUAL UNIVERSITY OF CONNECTICUT
LOEB AWARDS PRESENTATION LUNCHEON
HOTEL PLAZA, NEW YORK CITY
THURSDAY, MAY 5, 1966, 12:30 P.M., EDT

It is indeed a pleasure to participate in the presentation of the Loeb Awards for distinguished achievement in the field of business and financial journalism. For I think it impossible to overestimate the importance, in the successful conduct of economic policy, of informed and intelligent reporting of economic issues and affairs. It is much more than a coincidence that our unexampled economic accomplishments of the past five years have by and large been accompanied by an equally unexampled excellence in economic reporting.

As a result of that reporting -- and the enlightened public discussion which it did so much to stimulate and sustain -- we are all amply aware of the economic record of the past five years, in terms both of policy and of performance, of theory and of practice. But I think that, absorbed as we all are with the economic questions immediately and urgently before us, we have all but lost sight of the broader economic perspective, of the longer-term economic outlook, in which framework alone can we find satisfactory answers to our present problems.

A year ago, in early 1965, our concern was not so circumscribed. For while we had not yet entered the promised land of full employment, we believed we were near enough to give a good deal of our attention to the problem of making a smooth transition from an economy trying to reach a level of peak performance to an economy trying to maintain that level of performance.

Over the near-term, we were concerned that the economy would falter and flatten out before we reached our goal of full employment in a balanced economy. And over the longer-term, we were concerned with the whole spectrum of challenging problems and exciting opportunities that would present themselves once we had, in fact, reached full employment -- in particular with the problem of forging ahead at full employment levels of activity without inflation.

As a result, there appeared a whole series of thoughtful speeches, studies and symposia from both public and private sources on economic problems and prospects in the years and decades ahead. To take simply a random sampling, the Subcommittee on Fiscal Policy of the Joint Economic Committee of the Congress in February of 1965 published a compendium of views from private economists and organizations on "Fiscal Policy Issues of the Coming Decade," and in July of 1965 held hearings to solicit the views of Administration witnesses on that same subject. In March of 1965, the American Bankers Association sponsored a Symposium on Federal Taxation in which Professor Paul McCracken took a thoughtful look at the prospective role of tax policy in sustaining economic growth. In July of 1965, the President's Committee on the Economic Implications of Defense and Disarmament made its Report to the President. And there were other long-range economic analyses and appraisals too numerous to mention.

It was in the very midst of this increasing concern over the longer-range economic outlook -- and over the current outlook in that context -- that, in July of last year, there began the intensification of hostilities in Vietnam that has since altered our economic picture.

For as increased defense spending for Vietnam began to give added impetus to economic demand -- at a time when special supply factors were emerging which would put severe temporary pressures upon the prices of farm products and processed foods -- our concern over the prospect of an economic flattening out rapidly disappeared. And today, a year later, we are concerned that our economy may be moving at so rapid a rate as to result in serious inflation.

Our margins between supply and demand are narrower than at any time in recent memory. Preliminary figures for the first quarter of this year show that our Gross National Product grew at a real annual rate of 6 percent -- compared to 5.5 percent for 1965 and 5 percent for 1964. The unemployment rate fell from an average of 4.2 percent in the fourth quarter of last year to 3.8 percent in the first quarter of this year -- the lowest quarterly rate in more than 12 years. And the McGraw-Hill measure of capacity utilization in manufacturing, which had already risen to 89.5 percent in December of last year -- the highest December rate since 1955 -- rose to 90.5 percent in March of this year.

These recent developments carry forward a period of 2 years of remarkable resurgence in the strength and pace of private demand. This rebound has dispelled earlier fears that our economy had become stagnant and would need continued injections of strong fiscal tonic. In an environment of fuller utilization, rising sales, and more secure employment, both business and consumer spending have shown new and gratifying vigor. But we can no longer welcome the same degree of vigor that was so helpful in putting our idle men and machines to work and carrying us toward full employment. If demand were to continue to rise as rapidly as it has been growing, we would find our resources strained. Our economy needs to slow down.

And it is in terms of this longer-term picture alone that we can expect to find satisfactory solutions to the problems now before us.

And nothing has happened since early last year to render any less urgent our concern over the problem of making a smooth transition into a period of steady and sustained economic growth at full employment. Indeed, that concern must today be more urgent than ever -- for today we are on the threshold of that transition period, if we have not entered it already.

What that transition involves is essentially this: Over the past several years we have been able to sustain very high real rates of growth -- 5 percent in 1964 and 5.5 percent in 1965 -- by putting to productive use not only new capacity and new entrants into the labor market, but also idle capacity and the unemployed. But in the years ahead our rate of overall economic growth will have to rest almost entirely upon the rate of growth, in quantity and quality, of new capacity and new manpower.

The President's Manpower Report for this year estimates that our labor force may grow by almost 2 percent annually through 1970. Allowing for some further decline in the unemployment rate, some reduction in hours worked, and assuming the continuance of recent productivity trends, this could mean an average annual rate of real growth as high as 4½ percent. This figure does not, of course, represent a forecast. Rather it is simply a feasible projection of one economic pattern likely to emerge as we move to a more moderate rate of growth in the years ahead.

We have, therefore, essentially two questions before us. The first is how best to shift smoothly to a lower level of real growth from the high levels of 1964 and 1965 in the current atmosphere of economic exuberance, aggravated by Vietnam.

And the second question is, once we have made this transition, how do we best sustain and employ our growth, at full employment and with stable prices.

We cannot now adequately answer these questions, for we do not yet know under what actual set of economic circumstances they will occur. But we can perceive -- and prepare for -- some of the broader opportunities and problems we will face.

We can explore some of the issues in the private economy. We know that investment cannot appropriately continue to rise twice as fast as GNP, particularly if it is predominantly designed to increase capacity rather than cut costs. We look forward to the time when defense expenditures will no longer be a propelling force in our economy. As these areas provide less forward motion to the economy, we will have to look elsewhere for new sources of strength, even though we will not need as much over-all strength in the pace of demand as we have recently been experiencing. Homebuilding is particularly promising as a possible starring sector later in this decade. It will benefit from our changing population structure and from new carefully designed Federal programs; it can also benefit from a relaxation in monetary policy which will become appropriate once the Vietnam emergency passes.

There will remain, on the broadest level, the task of finding the mix of public economic policy that can best maintain a balance between total demand and rising levels of productive potential. At current tax rates, for example, a vigorously growing economy will automatically generate large annual increases in Federal revenues -- we have estimated that, for fiscal 1967, that increase will amount to some $7½ billion. To the extent, therefore, that we do not return these revenues into the economic spending stream, our tax system will serve as a restraint upon our economic growth.

In the years ahead, as a result, our success in sustaining a reasonable balance between demand and supply in a full employment economy will directly depend upon our success in returning these revenues to the economy in the right forms and right amounts. We will have to decide what portion of these revenues, if any, should be in the form of tax reduction, and what kind of tax reduction -- what portion of these revenues should be in the form of expenditures, and what kind of expenditures -- or what portion, if any, should be in the form of debt retirement.

Even more challenging will be the problem before us on the supply, or structural, side. For since we can no longer rely on any large margins of idle manpower and capacity, nearly all our economic growth must come from growth in our labor force, and from intensive efforts to improve our overall productivity -- efforts to enhance at all levels the skills of our labor force, efforts to encourage continued advance in new technology, in more efficient and effective plant and machinery. We must rely, therefore, in growing measure upon greater returns from greater investment in both our human and material resources in order to sustain full employment growth in a balanced economy.

For while we cannot expect in the years immediately ahead to maintain the unusually high growth rates of the past several years, neither can we welcome a return to the very much lower rates of growth we have had throughout much of this century -- rates reflected in the average annual rate of growth of about 3 percent from early in this century to 1960.

And our firm policy purpose must continue to be the simultaneous pursuit, through changing economic circumstances, of our four major economic goals: strong and sustainable economic growth at full employment, with reasonable price stability and equilibrium in our balance of payments. Conflicts between these goals can, of course, arise -- inevitably there comes a point where it is difficult, for example, to pursue full employment and price stability at one and the same time, when gaining or holding ground on one front seems to involve giving ground on another.

There is no lack of evidence, in our own experience or in that of other countries, of the difficult and delicate problems involved in trying to reach these different goals at the same time.

There is the recent experience of Italy: from 1959 through 1963, Italian industrial production grew at an annual average rate of more than 10 percent. While consumer prices were relatively stable early in this period, they rose appreciably after 1961. As a result, the Italian balance of payments situation began to deteriorate -- a deterioration quickly reversed by domestic stabilization measures and a $1 billion international credit package, to which this country made a major contribution. At the same time, domestic output fell sharply. Industrial production rose by less than 1 percent between 1963 and 1964 in contrast to the 10 percent gains common in earlier years, and the Italian economy is only showing signs of regaining its momentum while continuing to run a large payments surplus. And consumer prices have continued to rise by 6 percent between 1963 and 1964, and by another 5 percent last year.

And there is also the recent example of France. In the last half-decade of the Fifties the cost of living in France rose at a compound annual rate of more than 6 percent, and in the first half-decade of the Sixties, at an annual rate verging upon 4 percent. Last year, France reduced that rate to a little under 2½ percent. But France achieved that reduction in prices from nearly 4 percent to a little under 2½ percent only by cutting almost in half its real annual growth rate -- its growth rate corrected for price increases -- compared to its record over the 1960-1964 period.

There are, therefore, difficulties that can arise in trying to pursue different economic goals at the same time. But these difficulties are not insurmountable -- and they arise, not from an inherent incompatibility between these goals, but from flaws in policy and failures in performance as we seek to further these goals.

The problem before us now is how best to further all these goals while making the shift from the very high growth rates of the recent past to a somewhat lower but still historically high level of steady, sustainable growth.

Our effort today -- as it was a year ago -- is to try to make that transition as smooth as we can, to slow down without stalling. But today the circumstances are far different than they were a year ago -- and, with the advent of Vietnam and all the uncertainties surrounding it, they are far more difficult to assess.

Indeed, the primary problem before us is that there are so many uncertainties in our economic picture -- and the principal uncertainty is simply to what extent the present exuberance is a relatively temporary occurrence, fed by largely temporary factors, and to what extent it reflects a more basic trend.

The Administration, as you know, felt the threat of inflation was disturbing enough to require a significant shift from a fiscal policy of steady stimulus to demand to a fiscal policy of moderate restraint. And President Johnson has made abundantly clear that he will not hesitate toapply or to recommend further fiscal restraints should these become necessary.

For our effort was, and remains, to apply as much restraint as necessary -- and no more. And our conviction was, and remains, that with economic trends still unclear and the impact of the fiscal and monetary changes still untested, there was some danger of overcure -- some danger of applying what events would reveal as an overdose of economic restraint. And that danger was sufficient to warrant that we watch and wait until we know what the real trend is in our economy as it absorbs the psychological impact of enlarged activity in Vietnam -- until we can assess the real effect upon the economy of the monetary restraint inaugurated by the Federal Reserve Board action last December, of the collection of higher Social Security taxes beginning in January, and of the tax proposals embodied in the Tax Adjustment Act which the President signed on March 15 of this year -- until we know the consequences of the President's effort to reduce or postpone Federal expenditures scheduled for fiscal 1966 and 1967, and of his efforts to solicit similar restraints in state and local government and private expenditures -- until we know what Congress is likely to do with the President's expenditure proposals for fiscal 1967 -- or until we know whether events in Vietnam will require steeper outlays for defense or allow a leveling off in the rise of new orders.

For, indeed, should the President's budgetary targets be preserved, should there be no need for increasing Vietnam outlays, and should the disturbing developments in the private economy turn out to be largely temporary, we were and remain concerned that tax increases could prove inappropriate as the year progressed and might disrupt our transition to a full employment level of growth in a balanced economy.

On the other hand, we were and remain deeply concerned lest, through one combination of circumstances or another, serious inflation should take hold and send our economy soaring at unsustainable speeds -- and then plunging sharply and suddenly downward. Our unparalleled progress in achieving relatively full employment in a relatively balanced economy could suffer few setbacks more severe than a recurrence, in any magnitude, of this all too familiar pattern of the past. And we are determined to do all we can and must to prevent this pattern from returning.

For the present, therefore -- while the economy shows no definite pattern -- it is essential that we remain within the bounds of the President's budget, and that we continue to keep a close and careful watch over all contingencies that might occur to require a tax increase.

We must remain alert to the possibility that demand could continue to surge forward at a pace that would overshoot the target of a sustainable full-employment growth path and could lay the foundations for a strong inflationary spiral in 1967. If the balance of uncertainties falls decisively in this direction, a prudent and preventive tax increase this year would enhance our long-run growth prospects. We must avoid economic excesses that would undermine our prosperity just as we must avoid an "overcure". If we can keep on course, if we can remain reasonably on target, we will have done much to improve our prospects for a smooth and steady transition to the kind of economy for which we have labored so long and so hard, and whose achievement is now so near.

If we do not avoid these excesses -- if private demand grows clearly out of hand, and if Federal expenditures rise significantly beyond the President's budget as a result of Congressional action or events in Vietnam -- then the President will ask for further fiscal restraint. He will have no choice -- and, neither, as he repeatedly declared, will he have any hesitation.

So in the days ahead you in the business and financial press bear a heavy burden of responsibility -- for revealing the alternatives before us in all their clarity.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

May 6, 1966

FOR IMMEDIATE RELEASE

ANNUAL LIMITATION ON SERIES E AND H SAVINGS BONDS INCREASED

The Treasury today announced that for the calendar year 1966 and thereafter the annual limitation on Series E and H Savings Bonds has been increased $10,000 for each series. The new limitation on E bonds is now $20,000 (face amount) and $30,000 on H bonds.

The limitations apply to bonds originally issued during a calendar year and held by any one owner. The Treasury pointed out that in computing the limitation, the amount of bonds held in coownership form may be applied to the holdings of either of the coowners or apportioned between them.

A special limitation of $200,000 on holdings relating to gifts of Series H Savings Bonds to charitable, religious, educational, and certain other nonprofit organizations that qualify under Section 501(c)(3) of the Internal Revenue Code of 1954 has been established for the calendar year 1966 and each calendar year thereafter. It now becomes possible for the exempt organizations to hold up to $200,000 in H bonds of a given yearly series received by them as gifts.

The Treasury said that the new limitations have been set in view of the increasingly important role that savings bonds are playing in helping to sustain a vigorous non-inflationary growth and manage the public debt soundly.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE May 6, 1966

PRELIMINARY RESULTS OF TREASURY'S CURRENT EXCHANGE OFFERING

Preliminary figures show that about $8,132 million, or 87.3%, of Treasury notes and bonds maturing May 15, 1966, aggregating $9,317 million, have been exchanged for the new 4-7/8% notes offered in the current exchange. About $1,185 million, or 12.7%, of the two maturing issues remain for cash redemption.

Of the maturing securities held outside the Federal Reserve Banks and Government accounts, 43% were not exchanged. While the attrition on this refunding is relatively high it will not cause the Treasury to alter its plans not to borrow prior to the end of the fiscal year.

Details of the exchange are as follows (in millions):

ELIGIBLE FOR EXCHANGE		EXCHANGED BY			
		FRB's and	All	TOTAL	
Securities	Amounts	Govt. Accts.	Others	EXCHANGED	UNEXCHANGED
4% notes	$8,289	$6,430	$1,054	$7,484	$ 805
3-3/4% bonds	1,028	255	393	648	380
Totals	$9,317	$6,685	$1,447	$8,132	$1,185

Details by Federal Reserve Districts as to subscriptions will be announced later.

TREASURY DEPARTMENT

WASHINGTON, D.C.

RELEASE 6:30 P.M.,
day, May 9, 1966.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced that the tenders for two series of Treasury bills, series to be an additional issue of the bills dated February 10, 1966, and the other ies to be dated May 12, 1966, which were offered on May 4, 1966, were opened at the eral Reserve Banks today. Tenders were invited for $1,300,000,000, or thereabouts, of day bills and for $1,000,000,000, or thereabouts, of 182-day bills. The details of two series are as follows:

GE OF ACCEPTED PETITIVE BIDS:	91-day Treasury bills maturing August 11, 1966		:	182-day Treasury bills maturing November 10, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	98.832	4.621%	:	97.579 a/	4.789%
Low	98.826	4.644%	:	97.561	4.824%
Average	98.830	4.630% 1/	:	97.564	4.818% 1/

a/ Excepting 1 tender of $280,000
81% of the amount of 91-day bills bid for at the low price was accepted
67% 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:

strict	Applied For	Accepted	:	Applied For	Accepted
ston	$ 22,236,000	$ 12,092,000	:	$ 28,256,000	$ 3,156,000
w York	1,730,999,000	914,542,000	:	1,688,106,000	574,308,000
iladelphia	33,439,000	15,054,000	:	14,415,000	6,096,000
eveland	30,311,000	22,017,000	:	45,481,000	25,542,000
chmond	15,530,000	13,030,000	:	5,218,000	5,018,000
lanta	45,734,000	21,649,000	:	38,084,000	11,295,000
icago	279,903,000	108,583,000	:	400,913,000	199,250,000
. Louis	55,501,000	27,199,000	:	33,444,000	13,659,000
nneapolis	18,242,000	10,017,000	:	9,836,000	4,611,000
nsas City	26,448,000	22,198,000	:	16,762,000	12,383,000
llas	27,706,000	16,206,000	:	16,255,000	10,755,000
n Francisco	251,591,000	117,800,000	:	271,506,000	136,281,000
TOTALS	$2,537,640,000	$1,300,387,000 b/		$2,568,276,000	$1,002,354,000 c/

ncludes $250,190,000 noncompetitive tenders accepted at the average price of 98.830
ncludes $129,954,000 noncompetitive tenders accepted at the average price of 97.564
ese rates are on a bank discount basis. The equivalent coupon issue yields are
.75% for the 91-day bills, and 5.01% for the 182-day bills.

TREASURY DEPARTMENT
Washington

FOR RELEASE ON DELIVERY

REMARKS OF THE HONORABLE FREDERICK L. DEMING
UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS
AT THE THIRD ANNUAL MEETING OF
THE SOCIETY OF AMERICAN BUSINESS WRITERS
THE RADISSON HOTEL, MINNEAPOLIS, MINNESOTA
MONDAY, MAY 9, 1966, 12:15 PM CDT

DEBT MANAGEMENT IN A PROSPEROUS ECONOMY

It is always a delight to return to Minneapolis, and particularly so when the occasion can be such a pleasant one as this meeting of business writers. As one involved in some of the decisions and events that find their way into your writings, I feel much indebted for the fine job, over-all, that is done on reporting and analyzing economic events in this country. In fact, some of us have the feeling at times that our economy is, if anything, "over-analyzed" -- and that it might be desirable to let the patient up from the couch now and then to stretch his legs, flex his muscles, and take a few deep breaths.

But economic analysis, alas, is habit-forming, and, try as one will to kick it, each month's fresh batch of statistics sets us off anew, seeking comparisons with the past, assessments of the present, and portents for the future.

In a nation that is as justifiably proud of its growth record as ours, it is natural, in looking for a suitable theme for one's remarks, to choose an area where that growth is proudly displayed and emphasized. If one's topic is debt management, however, there might just be a desire to pitch the growth factor in lower key and point up the modest proportions and manageability of the task at hand.

Hence, it is a source of satisfaction to be able to report to you, in speaking about the Federal debt, that here is one "problem" that is tending, over the years, to shrink somewhat in its relative importance. In fact, if one looks at the expansion of Federal debt and other debt in our economy in the past two decades, the contrast is truly startling.

For, while the Federal debt has grown only modestly during the past twenty years, the over-all size of our economy and the volume of other types of debt -- private, and state and local government debt -- has shown very substantial growth indeed. At the end of World War II, Federal Government and agency debt accounted for more than 50 per cent of net public and private debt outstanding, compared with less than 20 per cent at the end of 1965. Thus, the relative importance of Federal debt in financial markets has declined substantially.

Nevertheless, the impact of the Federal debt, and of debt management decisions on the Nation's financial markets, still is substantial. Year-to-year changes in Federal debt can be quite significant to the economy, whether our debt is a fifth or a half of the aggregate debt, and decisions on the financing of new debt and refunding of matured or existing debt may be scarcely less far-reaching than before. But, if it is true that our actions are still very important to the economy, it is also surely true that we must look more closely than ever before at the behavior of the rest of the economy in taking our debt management and related decisions. There is a state of continuous interaction in which Government financial policies must be attuned to current market conditions, to over-all economic policy, and to both short and longer-run economic goals. For this reason, let me first scan the current economic situation, before getting more involved in the discussion of debt management.

Financial policy today is being shaped and executed in the context of an obviously strong economy. Our economic accomplishments during the past 5 years include a growth rate of better than 5-1/2 per cent in real terms and a reduction in unemployment from 7 per cent to 3-3/4 percent. It was not too long ago, I need not remind you, that some observers tended to regard a 5 percent unemployment rate as a rather sticky level that would be hard to improve upon. But the stronger course of the economy has not been without some costs, for new problems are bred in the solutions to older ones.

Recently, the combination of our increased military commitment in Vietnam and buoyant private demand has placed increasing pressure on the material and human resources of the U. S. economy. While, on the whole, our economy's five-year expansion has been remarkably well balanced and free of distortion or stress, an over-all pace of activity is being reached that has stretched our potential to an increasing degree.

This pressure has produced some noticeable cracks in the remarkably good record established during several years of vigorous economic expansion. Price increases have been most pronounced in farm and food products, and, fortunately, the most recent evidence on these prices now suggests a flattening out or turning down. But there has also been some bidding up of prices in industrial sectors and a consequent increased concern about a threat of inflation that would reflect more than just the typically volatile commodity areas.

Some observers believe that Government financial policy has not been geared sufficiently toward combatting inflationary pressures in the economy. Actually, the Administration already has taken significant steps to restrict Federal spending and to increase taxes.

Despite an anticipated increase of $10.5 billion in Vietnam expenditures for fiscal 1967 over those in the 1965 budget, the projected budget for fiscal 1967 shows a surplus on a cash basis and closely approaches balance on the national income and administrative bases. Unfortunately, proposed Congressional budget revisions may raise Federal expenditures and undo some of the Administration's efforts to economize in the face of competing demands upon available resources.

The Tax Adjustment Act of 1966, passed swiftly by the Congress in nearly the exact form requested, will raise $6 billion in Federal revenues in the 15 months from April, 1966, through June, 1967, and will withdraw $2.7 billion from the private spending stream during the present calendar year. Many of you will begin to feel the impact of this recently enacted legislation, if you haven't already, when you receive your first paycheck this month. Incidentally, by reducing seasonal fluctuations in Treasury tax receipts, the tax adjustment measures will tend to simplify Treasury cash management in the future.

These increases in Federal revenues will augment the restrictive impact of the increase in Social Security and Medicare taxes, which took effect the first of this year, and are reducing the private spending stream by an annual rate of about $6 billion. Together with the effects of tighter monetary policy, these measures are already exerting some restraint to prevent an overheating of our economy. A further moderating force is the voluntary self-restraint that businesses, consumers, and government units at all levels are exercising over their spending plans as part of a nationwide effort to contain inflationary pressures.

It is not easy to say just what the effects of past and present restraining forces may be at this point. There is some evidence, though, that bank loans are harder to get as well as more costly, and that the mortgage market -- as it typically does -- is feeling the hand of restraint rather significantly.

In a sense, it is the nature of financial markets as well as other markets that marginal users or borrowers tend to be priced out in periods of shortage. But we might recall that the marginal borrower, from the standpoint of banks and other institutional lenders, may not be marginal from the standpoint of the economy as a whole. Criteria that favor only the large and established businesses may have undesirable effects on competition and long-run productivity gains.

In recent years, we have seen some important changes in financial markets associated largely with more aggressive behavior by commercial banks. Banks have actively moved into areas of lending where they previously were reluctant to go. Much of this has been closely linked to the active pursuit of time and savings deposits by banks. Successive revisions in Regulation Q have enabled banks to compete for time deposits with other financial institutions and with various money market instruments. And banks have moved with great alacrity to take advantage of opportunities afforded them.

Without question, I believe, these changes in bank behavior have, on the whole, benefitted the economy. Increased competition among banks and between banks and other elements in financial markets have aided the substantial growth we have witnessed during the past five years. Banks have been more willing to take risks and they have narrowed the margins between what they earn on loans and investments and what they pay for funds in interest and services. At the same time, we must be watchful about the potential danger that overly aggressive behavior on the part of some banks in competing for time deposits may tend to distort the impact of monetary policy, impairing the stability of particular institutions and even of some sectors of the economy.

In previous periods of monetary restraint, bank earnings have increased as earnings on loans and investment increased much faster than the cost of deposits. In such periods, banks could afford and were willing to ration loans by upgrading the quality of loan portfolios. In the present situation, the increased cost of time deposits has placed many banks under pressure to seek higher yields and more loans. The possibility of bidding funds away from other banks and other institutions has induced banks to bid up interest rates on time deposits and, in turn, to intensify aggressive lending policies.

Higher time deposit rates may also exert a long-run effect on interest rates. When financial market pressures diminish, then time deposit rates -- particularly those on savings accounts -- may prove to have some downside rigidity. It may be hard for individual institutions to lower rates unless they have some confidence that others are similarly motivated.

I am reluctant to place myself in a position that opposes competition. But I would like to venture a suggestion or two on potential dangers of carrying this excellent principle too far. Highly aggressive bidding for time deposits may induce some banks to overextend themselves and take on excessive risk. Last year, we saw a few instances where aggressive soliciting of CD's and excessive loan risk were combined to bring about bank failures.

Even where loans are sound, banks may get burned in their bidding for time deposits. If funds can be bid away from other institutions by a particular bank, that same bank may find itself losing deposits at a later date to a still more aggressive institution. The result may be a bidding up of time rates -- not because funds can be employed profitably, but because funds are needed to meet current demands or to replace funds that were bid away by other institutions. In tight financial markets, even the liquidation of good assets can be painfully expensive. Other financial institutions may be more vulnerable than banks to a sudden loss of funds. The assets of such institutions are more vulnerable to interest rate fluctuations, even where there exists a good secondary market for them.

Some banks have sought to push the problem of CD renewal well into the future by offering high rates on long-term CD's. But it is well to recall that interest rates on loans can go both ways, and the commitment to pay high rates for a long period may prove to be risky and unprofitable. This is not to say that banks should avoid all risk, but rather that a look at recent experience would suggest that a more cautious lending policy by banks may be called for -- based on a careful appraisal of what banks can expect to earn from CD funds under different circumstances. A more cautious policy by banks will not only be in the public interest but in the interest of the individual banks in question.

It is possible, of course, that present measures of restraint in the economy will not prove sufficient to dampen over-all potential inflationary pressures. If so, then additional action will be called for. But, at the risk of over-repetition, let me note that there are some risks connected with over-reacting. And over-cure and over-reaction in fiscal policy carry much the same kind of risks as over-cure and over-reaction in monetary policy. We need to avoid both risks. The essence of successful economic policy is balance and avoidance of excesses. It would be as unwise to choke off, unduly, growth in potential production as to permit it to grow at an unsustainable rate.

Moreover, while our first concern must be with the over-all degree of restraint, we cannot ignore the way that the over-all impact hits the economy. To some degree, we must look at the effect on particular sectors and particular types of activity.

Thus far, a considerable burden of anti-inflationary policy has been falling on financial markets as a result of strong credit demands and restrictive monetary policy. Recently, long-term interest rates reached their highest level since the early 1930's, and, although rates in some of the intermediate and longer-term sectors have declined a bit from the level attained earlier in the year, current levels are well above what most of us have become accustomed to. Certainly from the standpoint of my responsibilities for management of the Treasury's debt, I am acutely aware that the present levels are high.

These higher interest rates will raise the cost of servicing the Federal debt as existing Treasury issues are rolled over in the current market. We estimate that the interest cost to the Treasury, which was $11.4 billion in fiscal 1965, will rise to $12 billion in the present fiscal year and to $12.8 billion in fiscal 1967. Nearly all of this projected rise reflects higher interest rates rather than a larger debt.

Of course, minimum cost is not the sole objective of debt management. As a matter of fact, cost minimization tends to run counter to the anti-cyclical role that can be played by debt management. For in recession periods, when rates are low, there is a nearly irresistible temptation to float long-term debt, even though sound anti-cyclical policy would have us stay out of the long-term market at such times. And in boom periods, when rates are high, the theoretically appropriate step of sopping up long-term funds through Treasury issues is a costly move indeed.

But, even apart from cost considerations, hard-and-fast rules must be modified to take into account specific market situations and the functioning of the other arms of financial policy. Even if we were not constrained by an interest rate ceiling and were oblivious to cost, we probably would not be eager to sell a large volume of long-term Treasury bonds in the near future. There already exist strong pressures on capital markets, and we would not want to make these excessive and bring about disorderly market conditions. When appropriate over-all financial policy calls for restriction, it does not mean that each individual action must, in itself, be restrictive.

What is important is the entire policy package as a whole, and what is, therefore, required is a flexible policy stance that is attuned to the current situation and to the impact of other policy actions.

Weighing cost considerations and the aims of economic stabilization together has produced a mode of operation in which the Treasury tries for some balanced debt management over an extended period of time. It is an approach in which advantage is taken of good periods to extend debt, but not to the extent of preempting funds from the private sector in periods of reduced economic activity.

A good example of a balanced and flexible approach to debt management was our February financing, earlier this year. We were able to combine the refunding of about 84 per cent of publicly-held notes coming due on February 15 and April 1 with the pre-refunding of issues coming due this month and in August into 4-3/4 year notes. This enabled us to attain a moderate amount of debt extension and reduce public holdings of issues maturing later in the year by $4.8 billion (about 45 per cent of the issues involved) with a minimum impact on the market. As a matter of fact, the pre-refunding simplified our May 15 refunding by reducing the amount of publicly-held maturities to a readily manageable $2.5 billion. With this head start, we were able to offer a single, simple 18-month note to the holders of the May maturity -- and price it right on the market, whereas a larger maturity might have required a higher yield and interest cost. Because the amount held by the public had already been much reduced by the February refunding, it was not too disturbing that a relatively high proportion of the remaining holders of the May maturity elected not to make the exchange.

Fortunately, in light of the current economic environment, we expect to get by with a minimum of cash borrowing over the next 14 months. By June 30, the end of the present fiscal year, the Treasury's debt will be approximately $320 billion compared with $317 billion a year earlier. However, if we exclude purchases by Government investment accounts and the Federal Reserve banks, there is expected to be a modest decline this year in the publicly-held Federal debt. (As of the end of March, Treasury debt in the hands of the public was down $1.1 billion from a year earlier.)

In the next fiscal year, if our prospective administrative budget deficit of $1.8 billion comes about, there would be a greater decline in publicly-held Federal debt than in the current fiscal year. Nevertheless, we do not expect debt management to be a simple matter. We face stiff competition in financial markets from business firms, households and state and local governments. In addition, we face increased competition from the offerings by different Federal agencies. Besides the customary offerings by such agencies as the Federal Home Loan Banks, land banks, and intermediate credit banks, there will be an increasing volume of replacements with the private economy of financial assets held by Federal agencies.

This subject of asset sales and participation sales, which is now before the Congress, is both timely and important enough to warrant a little elaboration at this point. In the first place, I should note that there is nothing essentially new about this general topic. The substitution of private for public credit has been a continuing objective of Congress and the Administrations of President Eisenhower, President Kennedy, and President Johnson. In addition, encouraging a greater reliance on private credit was strongly supported by the 1961 Report of the Commission on Money and Credit and in the 1963 Report of President Kennedy's Committee on Federal Credit Programs.

To understand the background for the asset sales program, I think it may be helpful to look back at the underlying rationale for having Federal credit programs in the first place.

Some types of borrowers are not able to establish credit standing -- perhaps because of their inexperience or remoteness from credit sources, sometimes because of the attitudes and behavior of lenders that may result from risk considerations or various institutional restraints. In some cases, these gaps can be filled with programs of guarantees or insurance, so that the Federal Government need not use its own funds. In other instances, even a guarantee is not sufficient inducement for the private lender, and the Federal Government steps in to make the actual loan -- particularly in cases where, in the judgment of Congress, certain types of borrowers should have credit available at relatively low interest rates. By making direct loans in such cases, the Federal Government has built up a portfolio of loans which presently exceeds $33 billion. However, the basic purpose of Federal loan programs is not to build up a large portfolio of financial assets, but to assume a sufficient portion of the risk to make loan funds available on satisfactory terms to certain types of borrowers. It is part of the basic philosophy of supplementing, and encouraging, the private market, but not displacing it.

The "Participation Sales Act of 1966" is designed to provide an effective method of increasing the flow of private credit to worthwhile programs that have not had adequate support from private credit markets in the past.

At the same time, it will facilitate the reduction of Federally-owned portfolios and tend to curtail any future build-up of such portfolios. This bill already has been passed by the Senate and has received favorable action from the House Banking and Currency Committee. We hope for favorable action by the House in the near future.

The proposed legislation would extend the technique already employed successfully by the Export-Import Bank and the Federal National Mortgage Association of pooling loans made by Federal credit agencies and selling participations to the public. Under authority provided in 1964, FNMA has sold $1.6 billion of certificates of participation in pools of loans set up by the Veterans Administration and by FNMA itself. The "Participation Sales Act of 1966" would extend the same technique to other lending programs such as college housing, public facilities loans, and programs of the Farmers Home Administration, the Office of Education and the Small Business Administration. For all such participation sales, FNMA would act as trustee and handle the actual financing arrangements, in close liaison with the Treasury, thereby providing other agencies with the benefit of FNMA's experience and serving to coordinate the various agency financings with one another and with Treasury debt management operations as well.

The participation certificates would be guaranteed by FNMA and by the lending agency in question. As riskless investments, they will stand alongside the obligations of the United States Government and should command a broad market that will increase in activity as the technique is developed further.

Direct sales of individual assets have been made for some time in connection with several major lending programs. But there are limits to the volume of such loans that can be effectively marketed this way. If the private lender has to select the assets on a retail basis and service them himself, it frequently is not too attractive for him to purchase them. The process of pooling a number of loans and selling participations in the pool, while the underlying loans continue to be serviced by the original lending agency, converts a loan instrument with limited acceptability into a very attractive investment. Compared with direct asset sales, participations sales are a superior method of reducing Federally-owned assets from the standpoint of the volume of loans that can be sold, the administrative costs involved, and the yields which have to be offered on the assets to make them saleable.

It is true that the interest rate on participations is slightly higher than the rate on Treasury securities. In the past, this rate differential has amounted to one-quarter to three-eighth of a per cent. However, as a larger volume of participations are issued, and a broader secondary market develops, this rate differential may decline. Of course, direct Treasury borrowing is cheaper than any alternative form of financing. However, this is not a sufficient reason to abandon the principle of expanding the private flow of credit to borrowers. After all, who would advocate substituting direct Treasury financing for the approximately $100 billion of outstanding Government insured or guaranteed loans?

I would like to point out that the proposed legislation will, in no way, allow Federal agency activities to circumvent the Congressional appropriation process. Indeed, before any pool of loans is set up and entrusted to FNMA for the purpose of selling participations, the formation of such a pool must be authorized in an appropriation act of the Congress. In the case of loan programs undertaken at below-market interest rates, this procedure not only preserves Congressional control but also serves a desirable allocative function by specifically identifying the amount of Federal subsidy associated with such loan programs.

As I have suggested, the sale of participation certificates through FNMA would assure coordination of asset sales by different agencies, so that market offerings could be timed and adapted to existing market conditions. The Treasury has long-established and excellent working relations with FNMA in coordinating market operations with over-all debt management policy. The funneling of participation sales through FNMA will result in closer coordination of Treasury and agency financing, thereby reducing potential congestion of financial markets and minimizing the cost of Government financing.

The program of asset sales is scheduled to grow from $1.5 billion in fiscal 1965 to $3.3 billion in the present fiscal year, and to $4.7 billion in fiscal 1967. In the 1967 program, $4.2 billion of this $4.7 billion would be in the form of participation certificates. The Participation Sales Act will facilitate the increased asset sales proposed for fiscal 1967, thereby holding down the growth in the Federal Government's direct loan portfolio -- and, in fact, helping to achieve the first reduction in that portfolio in at least a decade. However, our purpose in expanding the asset sales program has also a longer-run objective -- to expand the flow of private credit and substitute it for direct Federal lending.

We realize that expanded asset sales. while they do tend to reduce the budget deficit, must draw the money from somewhere -- just as would the similar volume of direct Treasury borrowing that is thereby rendered unnecessary. This makes it all the more important that we take a flexible approach in setting up our program of sales, in order to gear it to prevailing market conditions. Our intention, after all, is not to clog the market with more than it can digest, but to strengthen the functioning of private financial markets, in order to utilize untapped capacity which we believe presently exists.

I would like to emphasize strongly that, despite projected asset sales, the net demands of the Federal sector on private credit markets will be modest over the next 14 months. This net demand -- the increase in Treasury and agency debt plus asset sales, less the increase in debt held by Government investment accounts and the Federal Reserve -- should be under $3 billion during the present fiscal year and approach zero during fiscal 1967.

In a discussion of Federal debt management, it would be inappropriate to exclude mentioning the very important Savings Bonds program, for almost one-quarter of the publicly-held Federal debt is in the form of Savings Bonds.

In a period when we are striving to encourage some restraint on private demand, the Savings Bonds program can make an especially important contribution by encouraging individual savings.

In February, President Johnson increased the interest on Savings Bonds from 3.75 per cent to 4.15 per cent. It is still a bit early to gauge the full impact of the boost in rates on sales and redemptions of Savings Bonds, particularly since there is some lag in adjustments in payroll savings deductions. However, March and April results are highly encouraging. Cash sales of E and H bonds jumped sharply during these two months, as the cash inflow was almost $90 million, compared with a cash outflow during the first two months of the year. Counting the increase in accrued interest on E bonds, total outstanding Savings Bonds increased by $170 million in March and April. At the end of April, outstanding Savings Bonds amounted to approximately $49.5 billion, $800 million more than the amount outstanding a year earlier.

I have concentrated these remarks on certain aspects of debt management that are in the forefront of our attention just now -- but with no intention of downgrading or relegating to a place of lesser importance the major economic policy questions that face us at this time.

Those major questions one might sum up as "maintaining economic balance domestically and internationally." Earlier, I did refer briefly to general domestic developments, and particularly to what is being done to contain the threat of excess economic buoyancy.

As for the balance of payments, and international monetary arrangements, those are topics of sufficient weight to require whole speeches devoted to those areas -- but we see the domestic and international problems so closely linked nowadays that one cannot begin to do justice on one side without mentioning the other. In some respects, the buoyant domestic economy is making it easier to deal with certain aspects of the balance of payments. We do not face now, as we did a few years ago, a problem of abundant liquidity at home that was seeking attractive outlets abroad. Domestic capital needs are now very large and are exerting a pull on available resources that strongly reinforces the voluntary programs designed to reduce outflows of capital abroad. At the same time, the strong state of the economy is creating large demands for imports, while our commitments in Southeast Asia also channel some funds out of the country, and these factors will tend to make more difficult the further reduction that we are determined to achieve in our balance of payments deficit.

Moreover, we are well aware that, in bringing our payments position into balance, we, and other nations, must intensify our efforts to provide for world liquidity growth through the deliberate, controlled creation of additional reserves. The work of negotiation toward this end has been moving forward steadily in recent months, and we expect a report on the considerable progress of our negotiating group to be available before the middle of this year.

Clearly, with international monetary machinery, as with debt management, fiscal policy, and other arms of economic policy, we must continue to take a flexible stance, adapting to changing conditions when necessary, and holding fast to take the most careful reading of those changing conditions, when that is the desirable course.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

May 9, 1966

FOR RELEASE 3:00 P.M. EDT
MONDAY, MAY 9, 1966

TREASURY ANNOUNCES NEW PLAN FOR CORPORATE GIFTS OF U.S. SAVINGS BONDS TO NON-PROFIT ORGANIZATIONS

The Treasury Department today announced a new plan for business and industry to use U. S. Savings Bonds as corporate contributions, in lieu of cash, to charities, educational and civic organizations, and to other non-profit groups.

In a special ceremony at the Treasury, J. D. Wright, chairman of the board of TRW, Inc., Cleveland, Ohio, originator of the idea, made a corporate contribution of $10,000 in Series H Bonds to Dr. T. Keith Glennan, President of the Case Institute of Technology, also of Cleveland. Case is the first recipient of Savings Bonds under the new corporate contribution program. TRW, Inc., is a leading manufacturer of aerospace systems and automotive, aviation, and electronics parts.

Treasury Secretary Henry H. Fowler commended TRW, Inc., for developing the idea, and expressed the hope that other companies would follow its example in planning programs for corporate giving.

"American industry is already playing a major part in the success of the Savings Bond program through its promotion of the Payroll Savings Plan," Secretary Fowler said.

"The plan developed by Mr. Wright and his associates opens up another promising new path towards expanding and extending the Savings Bond program, which offers such abundant benefits both to individual buyers and to the national economy. This could be another important step toward reaching President Johnson's objective of restraining inflationary pressures in the economy while helping to finance our pressing commitments at home and abroad."

(OVER)

Clearing the way for the new plan for corporate contributions in the form of Savings Bonds, the Treasury last week amended its regulations to raise the annual limitation on holdings. The amendment provides that Series H Bonds having a face value of $200,000 may be received as gifts in any calendar year by a tax-exempt organization. The general limits on E and H Bond holdings were also raised -- from $10,000, maturity value, to $20,000, maturity value, for the appreciation-type E Bonds; and $20,000 to $30,000, face value, for current-income H Bonds.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

May 11, 1966

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 $2,300,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing May 19, 1966, in the amount of $2,301,401,000, as follows:

91-day bills (to maturity date) to be issued May 19, 1966, in the amount of $1,300,000,000, or thereabouts, representing an additional amount of bills dated February 17, 1966, and to mature August 18, 1966, originally issued in the amount of $1,000,846,000, the additional and original bills to be freely interchangeable.

182-day bills, for $1,000,000,000, or thereabouts, to be dated May 19, 1966, and to mature November 17, 1966.

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving time, Monday, May 16, 1966. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for each issue for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on May 19, 1966, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 19, 1966. Cash and exchange tender will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

May 11, 1966

FOR RELEASE A.M. NEWSPAPERS
THURSDAY, MAY 12, 1966

REGIONAL COMMISSIONERS, DISTRICT DIRECTORS AND PROGRAM ADVISERS APPOINTED FOR HOUSTON CUSTOMS REGION

Assistant Secretary of the Treasury True Davis today announced the appointment of Cleburne M. Maier, Assistant Director, Division of Inspection and Control, Bureau of Customs in Washington, D. C., as Regional Commissioner of Customs for the new Houston Region VI.

Mr. Davis also announced the appointment of Palmer F. King, Assistant Director, Division of Inspection and Control, Bureau of Customs, Washington, D. C., as Assistant Regional Commissioner (Operations), and Kenneth W. Wisecarver, Operations Officer (Border) at the Bureau of Customs, Washington, D. C., as Assistant Regional Commissioner (Administration).

The appointments -- together with those of five District Directors, also announced today -- will be effective, May 15,1966, with the activation of the Houston Customs Region.

The Customs District Directors for the new region are:

Houston Customs District -- Harry G. Kelly,
Appraiser of Merchandise, Laredo, Texas

Galveston Customs District -- George L. C. Pratt,
Assistant Collector of Customs, Galveston, Texas

Port Arthur Customs District -- Robert A. Cole,
Assistant Collector of Customs, Port Arthur, Texas

Laredo Customs District -- H. Earle Outlaw,
Assistant Collector of Customs, Laredo, Texas

El Paso Customs District -- Raymond H. Dwigans,
Collector of Customs, El Paso, Texas

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.

At the same time, Assistant Secretary Davis named three Program Advisers in the new Houston Customs Region. They are:

Sam D. W. Low, currently Collector of Customs for Galveston;

Mrs. Minnie M. Zoller, currently the Collector of Customs in Port Arthur; and

Charles H. Kazen, Customs Collector at Laredo.

All three will continue to be based in the cities where they now are serving. As special assistants to the Regional Commissioner of Customs in Houston, they will have responsibility for development of projects and programs in public affairs to keep travellers and traders fully informed about Customs laws and procedures.

Houston will be the eighth region to be activated in accordance with a year-long timetable. The New York Region, the last to be activated, will be established on June 1. Regions already established are San Francisco, Los Angeles, Miami, New Orleans, Chicago, Baltimore, and Boston.

Offices of the Houston Region will be located on the seventh floor of the Courthouse and Federal Office Building, Rusk Avenue and Smith Street, Houston.

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 follow.

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BIOGRAPHICAL SKETCH OF CLEBURNE M. MAIER

Cleburne M. Maier, Regional Commissioner-designate, was born in Sherman, Texas, on May 11, 1916. He received his education at Midwestern University and the University of Texas.

Mr. Maier joined the Customs Service in 1942 as a clerk, rising through the ranks to the position of inspector at El Paso, 1954 to 1949; inspector and entry officer at Galveston, 1949-1951; station inspector at Houston Airport, 1951 to 1965. He was transferred in 1965 to the Bureau of Customs in Washington, D. C., to assist in the reorganization of the Customs Service.

As a member of the Education Committee of the Houston World Trade Association, Mr. Maier assisted in the preparation of a syllabus which was used in teaching international trade at the University of Houston. He lectured on Customs and other subjects at the University of Texas and participated in transportation seminars at that university.

During World War II, Mr. Maier was in charge of a detail from El Paso which examined the baggage of prisoners of war and repatriates and acted as a coordinator between the Customs Service, the intelligence branches and the office of censorship.

Mr. and Mrs. Maier reside at 1630 Warren Avenue, McLean, Virginia. They have three daughters, Constance Ann, Katherine Carol, and Mrs. James Williams.

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BIOGRAPHICAL SKETCH OF PALMER F. KING

Palmer F. King, Assistant Regional Commissioner-designate (Operations), was born at Imperial, Texas, October 9, 1918. He received his B.A. degree from Howard Payne College, Brownwood, Texas, in 1942, and later attended Southern Texas College of Law at Houston.

Mr. King served with the U. S. Army from 1943 to 1946 and entered the Customs Service in 1947 as an Examining Aid at New Orleans. From 1949 to 1954 he was a Customs Examiner at New Orleans, Dallas, Houston, and Laredo until his assignment from 1954 to 1955 as a Treasury Representative at Montreal, Canada.

In 1955 he served as Customs Appraiser (Liaison Officer) in Bureau Headquarters at Washington, D. C. He returned to Laredo in 1956 as Assistant Collector and was transferred in 1962 to Mobile, Alabama, in the same capacity. From 1963 he served in the Collectors Office in Tampa as Executive Aid until his reassignment in 1965 as Assistant Director, Division of Inspection and Control, in the Bureau at Washington, D. C.

Mr. and Mrs. King have a daughter, Martha, and son, Palmer F., Jr. They reside at 12201 Village Square Terrace, Rockville, Maryland.

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BIOGRAPHICAL SKETCH OF KENNETH W. WISECARVER

Kenneth W. Wisecarver, Assistant Regional Commissioner-designate (Administration), was born at Lebanon Church, Virginia, July 28, 1920. He attended Winchester Business College, Winchester, Virginia, and Benjamin Franklin University, receiving his Bachelor of Commercial Science Degree in 1951.

Except for three years' service with the U. S. Coast Guard from 1942 to 1945, Mr. Wisecarver was with the Bureau of Accounts, Treasury Department, from 1941 to 1955. In 1955 he joined the Bureau of Customs as an accountant, was promoted to Assistant Head, Financial Procedures Unit, in 1956, and then transferred within the Bureau to the position of Management Analyst (Liaison) in 1959. In 1964 he was named to his present position of Operations Officer (Border).

Mr. and Mrs. Wisecarver reside at 928 N. Quantico Street, Arlington, Virginia.

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BIOGRAPHICAL SKETCH OF HARRY G. KELLY

Harry G. Kelly, District Director-designate in Houston, was born at Alma (Crawford County), Arkansas, March 13, 1930. He attended Ft. Smith Junior College and Little Rock College, both in Arkansas, and received his LL.B degree from Arkansas Law School at Little Rock in 1953.

Mr. Kelly entered Government service in 1949 with the FBI as a Security Patrol Officer (Clerk) at Little Rock, Arkansas. After serving three years from 1953 to 1956 with the U. S. Army as a counter-intelligence agent, he returned to the security patrol work in Little Rock and then entered the U.S. Customs Service in 1957 as a Customs Examiner at New Orleans.

From 1962 to 1963 he served with the Bureau of Census in Suitland, Maryland, as a Tariff Liaison Officer, returning to Customs as an Appraiser-Liaison Officer at the Bureau in 1963. In 1965 he was promoted to his present position of Appraiser of Merchandise at Laredo, Texas.

Mr. Kelly was admitted to the Bar and U. S. District Court of Arkansas in 1953 and to the U. S. Customs Court in 1960. He is a member of the Arkansas Bar Association, Customs Lawyers Club, Rotary International, F. & A. Masons, and Toastmasters.

Mr. and Mrs. Kelly reside in Laredo.

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BIOGRAPHICAL SKETCH OF GEORGE L. C. PRATT

George L. C. Pratt, District Director-designate in Galveston, was born at Monett, Missouri, on December 26, 1906. He attended Galveston Business College, Business Law School at New York City, the Treasury Law Enforcement School, and a management institute at the University of California.

Mr. Pratt's career with the U. S. Customs Service began in 1921 as a messenger in the Collector's office at Galveston. He became a Customs Agent in 1929 and served in New York, Chicago, Galveston, and Houston.

In 1939 Mr. Pratt came to the Bureau of Customs in Washington as a liaison officer. He served for three years with the Army Air Force from 1943 to 1946 returning to the Bureau as a liaison officer until his appointment in 1947 as Assistant Collector of Customs, Galveston, Texas.

Mr. Pratt is past president of the Galveston Rotary Club and is a member of the Chamber of Commerce Traffic & Transportation Committee.

Mr. and Mrs. Pratt reside at 32 Adler Circle, Galveston, Texas.

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BIOGRAPHICAL SKETCH OF ROBERT A. COLE

Robert A. Cole, District Director-designate in Port Arthur, Texas, was born at Crystal Falls, Texas, October 16, 1903, and attended North Texas State Teachers College, Denton, Texas.

He entered the Customs Service as an Inspector at Sabine, Texas, in 1928, and later transferred to Beaumont and Port Arthur, Texas. In 1949 he became Customs Marine Officer and Deputy Collector at Port Arthur, and in 1957 was promoted to his present position there as Assistant Collector.

Mr. and Mrs. Cole reside at 3634 Platt Avenue, Port Arthur.

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BIOGRAPHICAL SKETCH OF H. EARLE OUTLAW

H. Earle Outlaw, District Director-designate at Laredo, was born March 24, 1913 at Conroe, Texas. He attended the University of Houston, majoring in business administration.

Mr. Outlaw entered Government service in 1947 at Houston, Texas, serving successively as port patrol officer, inspector, entry officer and liquidator until 1956 when he became field auditor at New Orleans, Louisiana.

In 1958 he went to Brownsville, Texas, as entry officer and became Deputy Collector in Charge in 1959. He held that position until 1965 when he was promoted to Assistant' Collector at Laredo.

Mr. and Mrs. Outlaw reside at La Villita Apartments in Laredo.

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BIOGRAPHICAL SKETCH OF RAYMOND H. DWIGANS

Raymond H. Dwigans, District Director-designate at El Paso, was born at Louise, Texas, on November 11, 1908. He attended Texas Western College, El Paso, and served in the U. S. Army from 1942 to 1945.

Mr. Dwigans was appointed Collector of Customs at El Paso in 1961. Previously, he was President and General Manager of Border Butane and Oil Company. He has also held the elective position of County Commissioner for El Paso County.

Mr. and Mrs. Dwigans reside at 5500 El Paso Drive, El Paso.

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BIOGRAPHICAL SKETCH OF SAM D. W. LOW

Sam D. W. Low, Program Adviser-designate for Galveston, Texas, was born on August 21, 1896 in Brenham, Texas, and received his LL.B degree from the University of Texas in 1920. He served in the U. S. Army Cavalry from 1918 to 1920, later transferring to the Reserves.

Mr. Low has been engaged in the practice of law in San Antonio and Houston since 1923. In 1942 he was appointed chief administrative officer of the Foreign Service Training Staff of the Board of Economic Warfare, and in 1953 was designated special representative at Santiago, Chile. He served as Collector of Customs at Galveston from 1949 to 1953, and was reappointed by President John F. Kennedy to that post in 1961.

Mr. and Mrs. Low reside at 2511 Inwood Drive, Houston, Texas.

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BIOGRAPHICAL SKETCH OF CHARLES H. KAZEN

Charles H. Kazen, Program Adviser-designate for Laredo, Texas, was born on March 15, 1904, at Monterey, Mexico, and received his education at Laredo Junior College and the University of Texas. During World War II he served in the U.S. Army as a first lieutenant in the Military Intelligence Service and was honorably discharged as a Captain in 1946.

Mr. Kazen has been engaged in the practice of law at Laredo, Texas, since 1934, with the exception of the period of active duty with the Army. From December 1946 to December 1959 he was county clerk of Webb County, Laredo, Texas. He was appointed by President Kennedy as Collector of Customs at Laredo in 1961.

Mr. and Mrs. Kazen reside at 1903 Gustavus Street, Laredo, Texas.

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BIOGRAPHICAL SKETCH OF MINNIE M. ZOLLER

Minnie M. Zoller, nee Minnie Lytte, Program Adviser-designate for Port Arthur, Texas, was born in Beaumont, Texas. She was educated in Beaumont, and has served on many national and local committees and a number of labor organizations.

She was appointed by President Kennedy as Collector of Customs at Port Arthur, Texas, in 1961.

Mrs. Zoller resides at 515 East Elgie, Beaumont, Texas with her husband, Emile Zoller.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

May 11, 1966

FOR IMMEDIATE RELEASE

TREASURY DECISION ON WORK SHOES UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that leather work shoes, in both men's and boys' sizes, from Czechoslovakia, are being, or are likely to be, sold at less than fair value within the meaning of the 1921 Antidumping Act, as amended.

Accordingly, this case is being referred by the Treasury to the U.S. Tariff Commission, for a determination as to whether or not such sales are injuring or are likely to injure the domestic industry.

In the event the Tariff Commission finds such "injury" the Treasury Department subsequently would be required by law to impose antidumping duties.

Notice of the Treasury's determination, and the reasons for it, and of the reference of the case to the Tariff Commission will be published shortly in the Federal Register.

Meanwhile, the Treasury said U.S. Customs officers are being instructed to proceed with the appraisement of shoes from Czechoslovakia, other than the leather work shoes (men's and boys' sizes), without regard to any question of dumping. The effect of this instruction will be to clear Czechoslovakian leather footwear, other than the work shoes, from the threat of a dumping determination in this case.

The Treasury's determination that leather work shoes from Czechoslovakia are being, or are likely to be, sold at less than fair value was issued after consideration of all comments received pursuant to a "Notice of Tentative Determination," published in the Federal Register on January 29, 1966. The tentative determination was that none of the Czechoslovakian shoes were being, or were likely to be, sold at less than fair value.

Imports of all shoes from Czechoslovakia, including work shoes, during the period June 1, 1964 through February 28, 1966, were valued at approximately $4,400,000. No separate figures are available on the volume of imported work shoes covered by the final determination of sales at less than fair value.

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TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE

THURSDAY, MAY 12,1966 F-470

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1966, to April 30, 1966, 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 Apr. 30, 1966
Buttons	510,000	Gross	136,372
Cigars	120,000,000	Number	2,990,740
Coconut oil	268,800,000	Pound	Quota filled
Cordage	6,000,000	Pound	3,215,230
Tobacco	3,900,000	Pound	1,137,352

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, MAY 12,1966

F-471

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 - May 9, 1966

Country of Origin	Established Quota	Imports	Country of Origin	Established Quota	Imports
Egypt and Sudan............	783,816	-	Honduras....................	752	
Peru.......................	247,952	181,062	Paraguay....................	871	
India and Pakistan.........	2,003,483	-	Colombia....................	124	
China......................	1,370,791	-	Iraq........................	195	
Mexico.....................	8,883,259	1,369,527	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 - May 9, 1966

Staple Length	Allocation	Imports
1-3/8" or more	39,590,778	39,590,778
1-5/32" or more and under 1-3/8" (Tanguis)	1,500,000	215,624

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 May 9, 1966	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1965, to May 9, 1966
United Kingdom............	4,323,457	55,129	1,441,152	55,129
Canada....................	239,690	28,760	-	-
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	11,765	25,443	-
Italy.....................	21,263	-	7,088	-
Other, including the U.S..	-	-	-	-
	5,482,509	95,654	1,599,886	55,129

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
THURSDAY, MAY 12,1966

F-472

The Bureau of Customs announced today preliminary figures on imports for consumption of the following commodities from the beginning of the respective quota periods through April 30, 1966:

Commodity	Period and Quantity		Unit of Quantity	Imports as of Apr. 30, 1966
Tariff-Rate Quotas:				
Cream, fresh or sour	Calendar year	1,500,000	Gallon	751,643
Whole Milk, fresh or sour ...	Calendar year	3,000,000	Gallon	-
Cattle, 700 lbs. or more each (other than dairy cows) ...	Apr. 1, 1966 - June 30, 1966	120,000	Head	6,503
Cattle, less than 200 lbs. each	12 mos. from April 1, 1966	200,000	Head	35,653
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish	Calendar year	23,591,432	Pound	Quota filled[1]
Tuna Fish	Calendar year	65,662,200	Pound	24,355,597
White or Irish potatoes:				
Certified seed	12 mos. from	114,000,000	Pound	77,977,241
Other	Sept. 15, 1965	45,000,000	Pound	23,341,981
Knives, forks, and spoons with stainless steel handles	Nov. 1, 1965 - Oct. 31, 1966	84,000,000	Pieces	Quota filled
Whiskbrooms	Calendar year	1,380,000	Number	1,139,228
Other brooms	Calendar year	2,460,000	Number	1,616,472

[1] Imports for consumption at the quota rate are limited to 11,795,716 pounds during the first 6 months of the calendar year.

Commodity	Period and Quantity		Unit of Quantity	Imports as of Apr. 30, 1966
Absolute Quotas:				
Butter substitutes containing over 45% of butterfat, and butter oil	Calendar year	1,200,000	Pound	Quota filled
Fibers of cotton processed but not spun	12 mos. from Sept. 11, 1965	1,000	Pound	-
Peanuts, shelled or not shelled, blanched, or otherwise prepared or preserved (except peanut butter)	12 mos. from August 1, 1965	1,709,000	Pound	1,102,101[1/]

[1/] Imports as of May 9, 1966.

TREASURY DEPARTMENT
Washington

STATEMENT ON THE SUPPLEMENTARY CONVENTION TO
THE U. S. - NETHERLANDS 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
FRIDAY, MAY 13, 1966, 10:00 A. M.

Mr. Chairman:

I am appearing before you today to urge favorable action on the supplementary convention to the income tax treaty now in effect between the United States and the Netherlands. This supplementary convention is an important step in the program to modernize our network of tax treaties with the other industrialized countries of the world. Many of these treaties, which have been in effect for a number of years, do not reflect the changes in policy which are contained in some of our more recent treaties. Moreover, these treaties must be adjusted periodically as the internal laws of the countries involved change, in order that the treaties fulfill their purposes of avoiding double taxation and minimizing tax obstacles to trade and investment between the two countries.

The negotiations leading to this revision of the present U. S.-Netherlands treaty (which was originally signed in 1948) originated at the instance of the Dutch because of their inability under the present treaty to tax dividends derived from Netherlands sources by U. S. citizens and corporations. This prohibition was a reflection of Dutch internal law at the time of the signing of the original convention. Under the existing treaty, the United States is permitted to tax U. S. source dividends received by residents or corporations in the Netherlands at a rate of 15 percent in the case of portfolio investment and 5 percent in the case of direct investment.

The trend in international tax treaties has been in the direction of allocating to the source country a moderate tax on outgoing dividends. For example, the Model OECD Convention provides a 15 percent rate for portfolio investment and 5 percent for direct investment. In line with this approach, the Netherlands recently changed its internal law to impose a withholding tax on dividends paid to foreigners. The supplementary convention changes the treaty to follow the OECD model by authorizing the Netherlands to tax dividends paid to foreigners on the same basis as the United States is now permitted under the treaty.

The two countries took this opportunity to negotiate a broad revision of many of the other provisions of the treaty to bring them into line with current international tax principles. The revised treaty is patterned in many important respects on the protocol to the U. S.-German tax treaty which was ratified by the

Senate in October, 1965 and which came into effect in December, 1965. Several provisions of the supplementary convention are similar, or identical, to provisions appearing in the German protocol.

I should like briefly to review some of the highlights of the revised treaty.

Investment Income

In addition to permitting the Netherlands to tax dividends from the Netherlands paid to U. S. residents and corporations, the revision would also apply the 5 percent direct investment rate to a broader group of parent-subsidiary companies. In determining whether a direct investment exists, which is eligible for the 5 percent rate, the required stock ownership of the receiving corporation in the paying corporation is reduced from 95 percent to 25 percent.

The new provision permitting the Netherlands to tax dividends paid to foreigners is generally effective on the day following the exchange of the instruments of ratification. However, if the recipient of the Dutch-source dividends is a U. S. tax-exempt organization, the new dividend article will not be effective for a period of two years after the exchange of the instruments of ratification. These organizations, being exempt in the United States, do not obtain a foreign tax credit for taxes paid to the Netherlands and consequently will have to absorb the entire amount of the new Dutch withholding tax. This two-year transitional period will give these tax-exempt organizations an opportunity to evaluate whether or not they wish to retain their Dutch securities, and also assure orderly liquidation in case of sale.

One of the more important changes contained in the supplementary convention, which also appeared in the German protocol, involves the abandonment of the so-called force of attraction principle as applied to dividends, interest, royalties and capital gains. Under the present treaty, if a resident or corporation of one of the countries has a permanent establishment in the other country, the reduced treaty rates or exemptions on investment income and capital gains are not available. This is based on the theory that the investment income is "attracted" to the permanent establishment. The supplementary convention provides that investment income and capital gains are entitled to any reduced rates or exemption provided in the treaty unless "effectively connected" with a permanent establishment in the source country. This rule also appears in the OECD Model Income Tax Convention.

The supplementary convention also provides for a broadening of the present reciprocal exemption in the source country for interest payments and expands the definition of royalties which are entitled to reciprocal exemption in the source country.

Capital Gains

In general, the revised treaty calls for a reciprocal exemption from tax in the source country for capital gains derived by a resident of the other country. The provision is similar to that contained in the German protocol. In certain specific instances, the source country retains the right to tax gains derived by foreign individuals and corporations. In the case of U. S. source capital gains, the exemption would not be available to a Dutch resident who is present in the United States for 183 days or more during the taxable year and the gain is realized from the disposition of an asset held for six months or less.

Students, Teachers, Personal Services

The revised treaty contains a more comprehensive article dealing with visiting students and business trainees than is included in the present treaty. The present exemption applies only to amounts received from abroad by students and trainees. The revised article expands the types of activities, such as engaging in research, which may be performed by the student or trainee without losing the benefits of the article and also broadens the types of income, such as grants and awards, which may be received by the student or trainee free of tax in the host country.

Teachers and professors are also accorded more liberal treatment under the revised treaty. A two-year exemption in the host country is provided for a teacher who is invited by the government of that country or an accredited educational institution of that country for the primary purpose of teaching or engaging in research. The visit need not be made as part of a teacher exchange agreement in order for the benefits of the exemption to be available, as is now required under the treaty.

A more comprehensive article dealing with an exemption for personal services where a resident of one country spends a relatively short amount of time during the year in the other country is also contained in the revision.

Avoidance of Double Taxation

The Dutch have agreed in the supplementary convention to provide broader relief from double taxation in the case of dividends received from United States sources by a resident or corporation of the Netherlands. Under the existing treaty, no relief from double taxation is provided for foreign taxes paid on U. S. dividends received by Dutch residents and corporations. The inability to credit against Dutch tax the U. S. taxes imposed on dividends paid to residents in the Netherlands presents an especially difficult problem to the U. S. citizen who is residing in the Netherlands. Not only must he pay Dutch tax on his U. S. source dividends, but because he is a U. S. citizen, he is not entitled to the reduced rate of U. S. tax provided under the treaty. The absence of a credit under Dutch law for U. S. withholding taxes may also make investment in the United States less attractive to Dutch residents (who are not U. S. citizens) and corporations than investment in the Netherlands. In the revised treaty, the Dutch agree to provide additional relief by providing a specific credit against Dutch tax for income taxes paid to the United States on U. S.-source dividends.

Competent Authority Procedure

The proposed supplementary convention includes an expanded provision dealing with the settlement of taxpayer claims of double taxation. The existing article is broadened to authorize the competent authorities of the two countries to reach agreement on the same allocation of profits between related companies or between a company in one country and its permanent establishment in the other. An agreement between the competent authorities may be effectuated by an appropriate refund or credit to a taxpayer by the country which has levied an excessive tax, even though procedural limitations such as the statute of limitations would otherwise bar a credit or refund. This provision, which follows the German protocol, is an important step in permitting governments to eliminate double taxation problems where allocations of income under provisions such as section 482 of the Internal Revenue Code are involved.

Conclusion

The changes embodied in this supplementary convention are designed to bring the U. S.-Netherlands treaty more closely into accord with the recent treaties to which the United States has been a party. The modifications contained in this revision are intended to accommodate the provisions of the existing treaty to the internal law of the two countries, and to reflect generally accepted standards of international tax policy. The revision of this treaty is a constructive step in modernizing and improving our present treaties. I urge that this Committee recommend that the Senate ratify this supplementary convention.

STATEMENT ON THE SUPPLEMENTARY CONVENTION TO THE U. S. - NETHERLANDS 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 FRIDAY, MAY 13, 1966, 10:00 A. M.

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The negotiations leading to this revision of the present U. S.-Netherlands treaty (which was originally signed in 1948) originated at the instance of the Dutch because of their inability under the present treaty to tax dividends derived from Netherlands sources by U. S. citizens and corporations. This prohibition was a reflection of Dutch internal law at the time of the signing of the original convention. Under the existing treaty, the United States is permitted to tax U. S. source dividends received by residents or corporations in the Netherlands at a rate of 15 percent in the case of portfolio investment and 5 percent in the case of direct investment.

The trend in international tax treaties has been in the direction of allocating to the source country a moderate tax on outgoing dividends. For example, the Model OECD Convention provides a 15 percent rate for portfolio investment and 5 percent for direct investment. In line with this approach, the Netherlands recently changed its internal law to impose a withholding tax on dividends paid to foreigners. The supplementary convention changes the treaty to follow the OECD model by authorizing the Netherlands to tax dividends paid to foreigners on the same basis as the United States is now permitted under the treaty.

The two countries took this opportunity to negotiate a broad revision of many of the other provisions of the treaty to bring them into line with current international tax principles. The revised treaty is patterned in many important respects on the protocol to the U. S.-German tax treaty which was ratified by the

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A more comprehensive article dealing with an exemption for personal services where a resident of one country spends a relatively short amount of time during the year in the other country is also contained in the revision.

Avoidance of Double Taxation

The Dutch have agreed in the supplementary convention to provide broader relief from double taxation in the case of dividends received from United States sources by a resident or corporation of the Netherlands. Under the existing treaty, no relief from double taxation is provided for foreign taxes paid on U. S. dividends received by Dutch residents and corporations. The inability to credit against Dutch tax the U. S. taxes imposed on dividends paid to residents in the Netherlands presents an especially difficult problem to the U. S. citizen who is residing in the Netherlands. Not only must he pay Dutch tax on his U. S. source dividends, but because he is a U. S. citizen, he is not entitled to the reduced rate of U. S. tax provided under the treaty. The absence of a credit under Dutch law for U. S. withholding taxes may also make investment in the United States less attractive to Dutch residents (who are not U. S. citizens) and corporations than investment in the Netherlands. In the revised treaty, the Dutch agree to provide additional relief by providing a specific credit against Dutch tax for income taxes paid to the United States on U. S.-source dividends.

Competent Authority Procedure

The proposed supplementary convention includes an expanded provision dealing with the settlement of taxpayer claims of double taxation. The existing article is broadened to authorize the competent authorities of the two countries to reach agreement on the same allocation of profits between related companies or between a company in one country and its permanent establishment in the other. An agreement between the competent authorities may be effectuated by an appropriate refund or credit to a taxpayer by the country which has levied an excessive tax, even though procedural limitations such as the statute of limitations would otherwise bar a credit or refund. This provision, which follows the German protocol, is an important step in permitting governments to eliminate double taxation problems where allocations of income under provisions such as section 482 of the Internal Revenue Code are involved.

Conclusion

The changes embodied in this supplementary convention are designed to bring the U. S.-Netherlands treaty more closely into accord with the recent treaties to which the United States has been a party. The modifications contained in this revision are intended to accommodate the provisions of the existing treaty to the internal law of the two countries, and to reflect generally accepted standards of international tax policy. The revision of this treaty is a constructive step in modernizing and improving our present treaties. I urge that this Committee recommend that the Senate ratify this supplementary convention.

TREASURY DEPARTMENT
Washington

STATEMENT ON THE SUPPLEMENTARY PROTOCOL TO
THE U. S. - U. K. 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
FRIDAY, MAY 13, 1966, 10:00 A. M.

Mr. Chairman:

I am appearing before you today to urge that you take favorable action with respect to the Supplementary Protocol to the income tax treaty now in effect between the United States and the United Kingdom. This protocol, which was signed in March of this year, amends the convention with the United Kingdom to reflect the extensive changes made in that country's tax laws by the Finance Act of 1965. This Act introduced into the tax system of the United Kingdom two new taxes: a capital gains tax and a separate tax on corporations, called the corporation tax, which had not existed previously. The effect of these changes is to make the broad outlines of the British system of income taxation of corporations and their shareholders more closely resemble the United States system in these areas.

General Background

Before discussing specific provisions of the protocol, I think it would be helpful to review briefly both the old British tax system and the changes made in it by the Finance Act of 1965. Prior to that Act, the British levied on their corporations a profits tax of 15 percent and an income tax the rate of which varied but which generally was approximately 40 percent. British individuals were subject to income tax and, if their income exceeded a certain figure, to surtax. However, when a British individual received a dividend from a British corporation, the income tax which had been paid by that corporation was considered to have been paid by the shareholder and his only tax liability with respect to the dividend was for surtax. Thus, in effect the British corporation was treated as a kind of partnership, and the income tax paid by it was a credit against its shareholders' individual tax liability on their dividends.

The new British system revises this method of taxation. Now the British corporation pays only a single tax, the corporation tax at the rate of 40 percent, but that tax is not creditable against the income tax and surtax which individual shareholders must pay on a dividend. The corporation tax and the income tax on shareholders are thus now kept separate, as in the United States. Under this new United Kingdom system, essentially as a collection device, there is a withholding tax on dividends paid to United Kingdom shareholders at the rate of 41.25 percent. Dividends paid to nonresident shareholders are subject to withholding tax at this same rate. Under the old British tax system foreign shareholders were not subject to any additional tax on dividend distributions; the corporation's payment of profits tax and income tax, with few exceptions, completely discharged the foreign shareholder's United Kingdom tax liability.

Dividends in General

Modification of the dividend article of the tax convention was required by these changes in British law. Since prior to the 1965 Finance Act the British did not withhold tax on dividends paid to foreigners, no provision was incorporated in the treaty limiting the amount of withholding tax which they might impose. Therefore, under the treaty as it existed when the Finance Act was passed, the new British withholding tax of 41.25 percent could have been levied on dividends paid to Americans. However, under that treaty this country's 30 percent statutory withholding tax had been reduced to 15 percent on dividends paid to British investors, and if the British investor was a corporation owning 95 percent of the American company paying the dividend, the rate generally was limited to 5 percent. Thus, the existing treaty limited our right to withhold tax on dividends going to the United Kingdom but did not restrict the British right to withhold tax on dividends going to the United States.

As a first step in remedying this imbalance, the United States on June 30, 1965, exercised its right under the dividend article of the existing convention to separately terminate that article effective January 1, 1966, with respect to United States taxes. Thus, dividends paid after December 31, 1965, to residents of the United Kingdom were made subject to the statutory United States withholding tax of 30 percent. The new British withholding tax did not go into effect until April 6, 1966. Our action in terminating the provision limiting our right to withhold tax on dividends was taken with the understanding, previously reached with the British, that any dividend withholding rates subsequently agreed upon in a revised treaty would be retroactive to the date on which the existing article terminated.

The protocol puts into effect this understanding, and provides that beginning on January 1, 1966, in the case of United States taxes, and April 6, 1966, in the case of United Kingdom taxes, withholding on dividends paid shall be at a 15 percent rate in all cases, as respects both countries. With the British corporation tax being levied at the rate of 40 percent, the total United Kingdom tax burden on dividends received from the United Kingdom by Americans, including corporation tax and withholding tax, will be 49 percent under the new system, as modified by this protocol. For example, on $100 of pre-tax earnings in the United Kingdom, there will be a $40 corporate tax. If the remaining $60 is paid as a dividend, there will be withholding tax levied of $9. Under the old British tax system, under the convention then in effect, this burden was approximately 55 percent, made up of a 15 percent profits tax and income tax of about 40 percent.

In addition, as a result of the changes in the United Kingdom's basic scheme of taxing corporations and shareholders, that Government wished to modify its tax treatment of income from British investments abroad. In order to accomplish this, it was necessary to modify many of their existing treaties, including that with the United States. Our existing convention with the United Kingdom, which in this respect is similar to United Kingdom tax treaties with other countries, extended to United Kingdom residents receiving dividends from United States corporations the same type of treatment available to them when they received dividends from British companies. Thus, a United Kingdom resident individual, receiving a dividend from a United States corporation, was able to claim credit against his United Kingdom income tax and surtax liability for the 48 percent United States tax paid by that corporation. If the dividend recipient was a British corporation, that corporation could use the United States corporation tax as a credit against its British profits tax and income tax liability.

Moreover, under the existing convention, this requirement was reciprocal in form. Thus, the United States granted a similar tax credit to United States recipients of dividends from British corporations for United Kingdom income tax paid by the British corporations, even where the recipient was an individual or a corporation owning less than 10 percent of the stock. Hence, under the existing treaty, United States individual investors in British corporations were allowed to claim a foreign tax credit for taxes paid by that corporation to the United Kingdom even though such investors are not able to claim any credit for the United States corporation tax paid by an American company.

With the change in the British tax law, this treaty provision, allowing all United Kingdom shareholders a credit for United States corporate tax, became inconsistent with basic British tax principles. The British are now treating their individual investors in British corporations just as we treat our individual investors in American companies. Hence, they no longer wished to give their individual residents a credit for foreign corporate taxes when they receive dividends from abroad. To accomplish this, they wished to delete the provision requiring them to give such a credit from our convention with them. Since this provision was reciprocal in form and thus resulted in extending benefits to United States residents respecting United Kingdom dividends not accorded to them on dividends received from their United States portfolio investments, we agreed to this modification.

Capital Gains

As I mentioned previously, the United Kingdom Finance Act of 1965 for the first time imposed a capital gains tax of a general character. Under the existing convention the United States capital gains tax was made inapplicable to British residents, but because the United Kingdom did not then have a similar tax, the article was not made reciprocal. Under the protocol, the exemption from United States capital gains tax for British residents is generally continued in effect but the article is now made reciprocal so that Americans will not be subject to tax in the United Kingdom on their capital gains.

Specific Provisions

This protocol to the United Kingdom convention is made complex by the need to deal with certain problems raised by United Kingdom tax law, as modified by the Finance Act of 1965. Since, as a result, some of the provisions of the protocol are highly technical in nature and of limited significance, I will attempt only to summarize the more important provisions. While many of the changes made by the protocol were necessitated by the new Finance Act, in the course of our negotiations it was decided that the treaty with the United Kingdom should also be modified so as to reflect policies previously embodied in the protocols modifying the German and Dutch conventions.

Force of Attraction - Permanent Establishments

Thus, this protocol, like the protocols to the German and Dutch conventions, abandons the so-called force of attraction principle. Under the present treaty, if a resident or corporation of one of the countries has a permanent establishment in the other country, all of his income from sources within that country (except for certain royalties not directly associated with the permanent establishment) is taxed at regular rates. This is so even if such income is not in fact attributable to the permanent establishment. Under the protocol, the force of attraction principle no longer applies, and income from sources within one country derived by a resident of the other is to be taxed at regular rates only if it is attributable to the permanent establishment. Thus, for example, dividends, interest, royalties and capital gains derived from one country by a resident of the other are entitled to the reduced rate or exemption provided for such income in the treaty unless they are "effectively connected" with a permanent establishment in the source country. Similarly, industrial and commercial profits from sources within a country will only be taxed at regular rates if attributable to a permanent establishment located within the country.

Dividends

The rules in this regard with respect to dividends, however, differ somewhat from those found in the German and Dutch conventions. Under the United Kingdom protocol, dividends received by a corporation of one of the countries which are effectively connected to its permanent establishment in the other country are to be taxed at the maximum rate of 15 percent. At the present time under our internal law the maximum regular rate of tax on such dividends is 7.2 percent, since we permit the permanent establishment the same 85 percent dividend-received deduction available to a domestic company in computing its income subject to our 48 percent corporate tax.

To understand the background for this provision, one must understand the British method of taxing intercorporate dividends. In general, dividends paid from one United Kingdom resident to another, including intercorporate dividends, are subject to the withholding tax which I mentioned before at the rate of 41.25 percent. However, if the dividend comes from a subsidiary corporation, the parent corporation may elect to have no tax withheld. Moreover, where tax is withheld on intercorporate dividends, no second withholding tax is required to be paid when the recipient United Kingdom corporation pays out in dividends to its shareholders an amount equal to the dividends it received. Thus, in many instances, the British gave the equivalent of a 100 percent dividend-received deduction to corporations.

It was suggested to the British negotiators that under their system it would be appropriate to treat United Kingdom dividends received by the permanent establishment of a United States corporation in the same way that they treat dividends received by a United Kingdom corporation. In some cases this would result in a complete exemption from United Kingdom tax; in others, tax would be paid at the full 41.25 percent rate. The British refused to adopt this proposal on the ground that income which was effectively connected to a permanent establishment should in all cases be taxed at least as heavily as income not so connected. As a result, the protocol provides that dividends received by a permanent establishment will not be taxed in the ordinary case at regular rates but instead shall be treated as if they were not effectively connected and shall be taxed at the 15 percent maximum withholding tax rate under the treaty. This provision is reciprocal in the protocol, although under existing United States statutory law the maximum rate of tax which can be collected on dividends which are effectively connected to a permanent establishment is only 7.2 percent. However, the non-discrimination clause of this protocol makes clear that the United States is free to amend its internal law and to tax dividends received by a permanent establishment of a British corporation at 15 percent, even though that rate exceeds the maximum rate of tax on dividends received by one United States corporation from another such corporation. It is our present intention to request the Congress to amend the internal United States law to permit this country to impose such a tax at a rate higher than 7.2 percent where necessary to achieve reciprocity, taking into account such questions as the practical effect on our corporations of the approach taken by the foreign country, the number of corporations of such country doing business in the United States which would be affected by the higher rate of tax, the nature of their activities here and the effect such action would have on their competitive position.

Interest and Royalties

The protocol continues in effect the provisions of the existing convention exempting from tax in the source country both interest and royalties. However, these provisions have been modified in several important respects. Under the existing convention, these exemptions, as well as the reduced rate of tax on dividends, only apply if the recipient is subject to tax in his country of residence. This requirement, which had the effect of preventing charitable organizations from benefiting from the reduced rates of withholding tax provided by the existing treaty, is eliminated by the protocol. However, in certain specific circumstances of limited application, the fact that the recipient of income is not subject to tax continues to be relevant. It was felt that these exceptions were desirable in order to insure that the benefits granted by the treaty would not be abused.

The existing convention limits the exemption generally accorded interest payments by providing that such payments shall be subject to tax in the source country when made by a corporation of that country to a corporation of the other country which owns over 50 percent of the paying corporation's voting power. This limitation, which required corporate taxpayers to restructure their transactions with subsidiaries in an artificial manner, is eliminated by the protocol. Therefore, in the future interest payments from a subsidiary to parent corporation will be exempt from withholding tax. However, the protocol makes clear that excessive interest paid by a subsidiary to its parent need not be treated as interest but may be recharacterized as a dividend and taxed as such.

In addition, the interest and royalties provisions affect the deductions available under British law in calculating United Kingdom corporation tax in two cases. Under the Finance Act of 1965, interest is not deductible when paid by a British company to a non-British company which has 75 percent or more control, directly or indirectly, of the British company. The protocol renders this provision of British law inapplicable to interest paid to a United States company unless that company is British controlled. Such interest is thus both deductible by the United Kingdom payor and exempt from United Kingdom withholding tax.

Similarly, in the royalty area the Finance Act of 1965 disallows certain royalty payments as deductions to United Kingdom payors in the case of so-called "close corporations" - corporations controlled by a small group of shareholders. The royalty article of the protocol makes this rule inapplicable where the royalty is paid to an American (other than a United States corporation under the control of British residents who also control the British corporation paying the royalty).

Capital Gains

I have mentioned previously the amendment to the capital gains provision of the existing treaty. As a result of this change, capital gains realized by a resident of one country will generally be exempt from tax in the other. However, the United States is allowed to tax British residents on their capital gains if they are here 183 days or more during the course of the year; this limitation on the general treaty exemption does not appear in the existing convention. While this limitation in form does not appear to be reciprocal, it is so in fact since the British treat a person present within their country for 183 days during the year as being resident there and hence not entitled to benefits of the treaty.

Tax Credits

The foreign tax credit article as revised by the protocol in general corresponds to the credit article found in most United States treaties. However, it also includes a special provision - paragraph (4) - which establishes rules for determining the tax credits of United States shareholders in British corporations during the period April 6, 1964, to April 6, 1966. During this period, the corporation tax imposed by the Finance Act of 1965 was in effect but the old British tax system continued to apply in other respects. This caused uncertainty as to the proper application of Article XIII of the existing convention. The purpose of paragraph (4) is to eliminate this confusion by providing specific rules to govern this transitional period.

Competent Authority Procedure - Adjustment of Disputes

The protocol also contains an article dealing with adjustment of taxpayer disputes which has no parallel in the existing convention. This provision, which follows the pattern established in our German and Dutch protocols, provides that in cases in which income is being subject to tax in both countries the competent tax authorities of the two countries will meet and endeavor to agree on the proper allocation of such income or its source. If agreement is reached, the protocol provides that it shall be put into effect, notwithstanding procedural barriers which would otherwise exist, such as the statute of limitations. This provision is important in relieving double taxation in cases in which one of the countries allocates income to a taxpayer under provisions such as section 482 of the Internal Revenue Code.

Nondiscrimination

The nondiscrimination clause of the protocol is substantially the same as the nondiscrimination clause of the Dutch and the German protocols except that it specifically permits each country to tax dividends paid to a permanent establishment at the 15 percent rate even if that rate exceeds that country's rate of tax on dividends paid by one domestic corporation to another. I have already discussed the purposes and effect of this provision.

Collection

The protocol also contains an article authorizing the United States to collect on behalf of the United Kingdom such amounts as are necessary to insure that the benefits of the convention do not inure to persons not entitled thereto. Thus, for example, if a United States bank, acting in its capacity as the nominee for a beneficial owner who is not a United States resident, receives a dividend from the United Kingdom from which only the reduced rate of tax provided for in the protocol has been withheld, the United States would be authorized to collect from that bank the difference between the amount of tax properly due the United Kingdom and the amount of tax actually withheld. The provision, however, specifically provides that in exercising this authority the United States is not required to take any administrative action which differs from those used in collecting our own taxes.

This provision was inserted into the protocol to encourage the British to permit dividends to be paid over to United States recipients under withholding at the treaty tax rate of 15 percent, rather than with withholding at the full rate of 41.25 percent. When the British passed the Finance Act of 1965, they envisioned that all dividends would be subject to full withholding and that foreigners who were entitled to have a lower treaty rate of tax applied to their dividends would reclaim the excess tax withheld from the British Government. This system would impose a burden on American stockholders in British corporations. Therefore, the British have indicated a willingness to permit withholding at the treaty rate under certain circumstances provided they received some assurance from us that only Americans will benefit from this relaxation of their rules. The primary purpose of Article XIXA is to provide this assurance. The United Kingdom undertakes a similar obligation with respect to dividends paid by United States corporations.

Effective Dates

As mentioned previously, the provision of the protocol dealing with dividend withholding rates is effective on January 1, 1966, in the case of dividends flowing from the United States to the United Kingdom. Dividends going from the United Kingdom to the United States are not subject to withholding tax prior to April 6, 1966, and that date is therefore the effective date of the provision establishing the rate of withholding tax on United Kingdom source dividends.

Other provisions of the treaty are, in the case of United States taxes, generally effective for taxable years beginning on or after January 1, 1966, except that the effective date of two of the less important provisions is postponed until after the date of ratification of the protocol. In addition, the amendments to the article dealing with foreign tax credits generally are effective April 6, 1966. However, the paragraph of this article establishing interim rules is effective for the period beginning April 6, 1964, the first day on which the changes made in United Kingdom tax law by the United Kingdom Finance Act of 1965 could take effect.

In the case of United Kingdom taxes, the changes are generally effective April 6, 1966. However, the new taxes imposed by the Finance Act of 1965, the corporation tax and the capital gains tax, took effect with respect to income realized prior to April 6, 1966 and accordingly the treaty provisions affecting their application are correspondingly made effective as of the date on which these taxes first went into force. In addition, the amendments to the foreign tax credit article become effective, in the case of United Kingdom taxes, only after ratification of the protocol.

Conclusion

This protocol amends our treaty with the United Kingdom to reflect the changes made in United Kingdom tax law by that country's Finance Act of 1965. It also serves to modernize its provisions, bringing them more closely into line both with other recent treaties to which the United States has been a party and with accepted standards of international tax policy. We urge that this Committee recommend to the Senate that it approve this Supplementary Protocol.

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE May 13, 1966

SUBSCRIPTION FIGURES FOR CURRENT EXCHANGE OFFERING

The results of the Treasury's current exchange offering of 4-7/8% notes, dated May 15, 1966, maturing November 15, 1967, are summarized in the following tables.

			For Cash Redemption		
Issues Eligible for Exchange	Amount Eligible for Exchange	Amount Exchanged	Amount	% of Total Out-standing	% of Public Hold-ings
	(Amounts in millions)				
4% Notes, D-1966	$8,289	$7,486	$ 803	9.7	40.1
3-3/4% Bonds of 1966	1,028	649	379	36.9	49.0
Total	$9,317	$8,135	$1,182	12.7	42.8

Exchanges for 4-7/8% Notes of Series F-1967 by Federal Reserve Districts

Federal Reserve District	4% Notes of Series D-1966 Exchanged	3-3/4% Bonds of 1966 Exchanged	Total
Boston	$ 46,901,000	$ 6,562,000	$ 53,463,000
New York	7,016,460,000	483,247,000	7,499,707,000
Philadelphia	16,151,000	8,993,000	25,144,000
Cleveland	56,455,000	19,442,000	75,897,000
Richmond	16,612,000	4,050,000	20,662,000
Atlanta	31,964,000	16,940,000	48,904,000
Chicago	81,990,000	43,288,000	125,278,000
St. Louis	52,716,000	17,009,000	69,725,000
Minneapolis	17,285,000	11,420,000	28,705,000
Kansas City	21,839,000	14,590,000	36,429,000
Dallas	38,536,000	7,898,000	46,434,000
San Francisco	83,180,000	15,432,000	98,612,000
Treasury	5,999,000	111,000	6,110,000
TOTAL	$7,486,088,000	$648,982,000	$8,135,070,000

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 13, 1966

FOR IMMEDIATE RELEASE

PRESIDENT'S CABINET TO PRESENT MACLEISH AND VAN DOREN

Five years and 13 performances ago, the President's Cabinet initiated a series of "evenings with" outstanding artists by presenting "an Evening with Robert Frost," followed in the series by "An Evening with Carl Sandburg."

On May 16, Secretary of the Treasury Henry H. Fowler plays host at the State Department Auditorium in Washington, D. C., to "An Evening with Two Poets" -- Archibald MacLeish and Mark Van Doren. Mrs. Lyndon B. Johnson is honorary chairman of the event.

MacLeish and Van Doren have much in common besides their membership in the American Academy of Arts and Letters and their string of Pulitzer prizes. Both are natives of Illinois, both were born in the last decade of the 19th Century, both have sunk deep roots in Yankee New England -- MacLeish at Uphill Farm in Conway, Massachusetts, and Van Doren in Cornwall Hollow, Connecticut. They are not just neighbors, they are old friends. They have earned the titles of poet, dramatist, and scholar.

The invitation-only, black-tie affair is sponsored by the Cabinet and will be attended by executives of Federal departments and agencies, members of the Washington diplomatic corps, White House officials, cultural and community leaders, their wives, and area college students.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

RELEASE 6:30 P.M.,
day, May 16, 1966.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced that the tenders for two series of Treasury bills, series to be an additional issue of the bills dated February 17, 1966, and the other ies to be dated May 19, 1966, which were offered on May 11, 1966, were opened at the eral Reserve Banks today. Tenders were invited for $1,300,000,000, or thereabouts, of day bills and for $1,000,000,000, or thereabouts, of 182-day bills. The details of two series are as follows:

GE OF ACCEPTED PETITIVE BIDS:	91-day Treasury bills maturing August 18, 1966		:	182-day Treasury bills maturing November 17, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	98.836	4.605%	:	97.568 a/	4.811%
Low	98.827	4.640%	:	97.556	4.834%
Average	98.831	4.626% 1/	:	97.562	4.823% 1/

a/ Excepting 1 tender of $800,000
75% of the amount of 91-day bills bid for at the low price was accepted
42% of the amount of 182-day bills bid for at the low price was accepted

AL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

istrict	Applied For	Accepted	:	Applied For	Accepted
oston	$ 22,070,000	$ 12,070,000	:	$ 5,415,000	$ 5,415,000
ew York	1,515,902,000	876,902,000	:	1,349,677,000	745,257,000
hiladelphia	33,140,000	21,140,000	:	12,457,000	4,457,000
leveland	29,898,000	29,898,000	:	50,463,000	20,663,000
ichmond	18,154,000	18,154,000	:	3,820,000	3,820,000
tlanta	40,399,000	36,524,000	:	32,901,000	19,953,000
hicago	265,371,000	136,021,000	:	290,071,000	94,369,000
t. Louis	44,226,000	36,151,000	:	25,167,000	15,611,000
inneapolis	18,604,000	16,904,000	:	11,008,000	10,007,000
ansas City	27,689,000	27,689,000	:	13,057,000	13,057,000
allas	23,241,000	14,991,000	:	12,129,000	7,549,000
an Francisco	83,462,000	73,962,000	:	32,668,000	51,263,000
TOTALS	$2,122,156,000	$1,300,406,000 b/		$1,888,833,000	$1,000,421,000 c/

Includes $257,916,000 noncompetitive tenders accepted at the average price of 98.831
Includes $136,311,000 noncompetitive tenders accepted at the average price of 97.562
These rates are on a bank discount basis. The equivalent coupon issue yields are
4.75% for the 91-day bills, and 5.01% for the 182-day bills.

TREASURY DEPARTMENT
Washington

REMARKS BY THE HONORABLE STANLEY S. SURREY
ASSISTANT SECRETARY OF THE TREASURY
BEFORE THE FISCAL POLICY SUBCOMMITTEE OF THE JOINT ECONOMIC COMMITTEE
ON PRIVATE PENSION PLANS
WASHINGTON, D. C.
MONDAY, MAY 16, 1966, 2 P.M., EDT

Madam Chairman and Members of the Subcommittee:

I am pleased to respond to your request to describe generally the tax provisions with regard to pension and profit sharing plans. Despite public consciousness of the enormous growth and the importance of private pensions, there is relatively little knowledge and understanding of the role that tax policy plays in influencing pension growth and design. Your Subcommittee is to be congratulated for bringing the workings of the private pension system to greater public knowledge.

A pension or profit sharing plan is a part of the employment contract. Often the plan terms are negotiated in collective bargaining. Whether or not negotiated, they clearly affect the wage rate. From the employer's standpoint, this is part of the labor cost. From the standpoint of the employee, pension or profit sharing benefits are an element in comparing total compensation between different employments.

The development of pension and profit sharing plans has without question been aided by favorable tax treatment, which has the effect of lowering the tax liability when compensation is paid in this manner. The tax advantage given to these plans is the basis of the provisions in present law imposing certain qualifying conditions on a pension or profit sharing plan. Since the provisions applicable to pension and profit sharing plans are substantially similar, I shall simply refer to pension plans.

The legislative history provides ample evidence that Congress as a matter of public policy has used the tax system as a means both to encourage the growth of private pensions and to prescribe standards for equitable and sound pension design. For example:

-- In 1926 the Congress decided to favor private pensions by exempting investment income of pension trusts.

-- To protect the funds set aside for employees, the Congress enacted nondiversionary standards in the Revenue Act of 1938 to guarantee that funds were used for the exclusive benefit of employees and that pension trusts should be irrevocable. Prior to the 1938 Act, pension trusts were established by some during periods of high corporate earnings which were ultimately revoked and the earnings recaptured by the employers during lean years.

-- In 1942 the Congress enacted what are now the current standards for qualification. They are intended to protect the benefits of employees and to prevent discrimination as to coverage and benefits. These provisions were modified only in some details by the Internal Revenue Code of 1954, so that essentially our present rules are those established a quarter of a century ago.

Favorable Tax Treatment of the Employee

Under qualified employer-financed plans, the employees are not currently taxable either on the amounts contributed by employers to the plans or on the investment income of the pension fund. The employee's tax liability for these amounts is deferred until he retires and receives benefits from the plan, at which time his effective rates are apt to be lower.

In the case of plans to which the employee contributes, the employee may not deduct his contribution currently. The amount of the employee's contribution, however, is not taxed when he receives his pension.

If an employer-financed plan does not qualify but the employee has irrevocable rights to benefits, the tax deferral feature is not applicable; the employer's contribution is taxable to the employee as current income when he acquires a vested right to it, and his benefits are not taxable upon retirement (to the extent that they reflect a recovery of this tax-paid amount). However, if the employer's contribution is not vested in an employee, then the employer's contribution is not taxable to the employee until he actually receives the benefits, even in a nonqualified plan.

Since the employer's contributions and investment income are not taxable as current income to the employee under qualified plans, even where the pension rights are vested, tax deferment represents tax savings to employees. It creates opportunities to obtain more liberal pensions than if the employees received equivalent wages in lieu of contributions and had to finance their own pensions. The Cabinet Committee on Corporate Pension Funds measured the size of a monthly pension that $100 of annual employer's contributions can buy under present tax treatment and compared it with a monthly pension obtained from an equivalent $100 of annual wages which, after tax, is invested by the employee himself. The pension fund case resulted in a $74 monthly pension as compared to a $52 monthly pension in the case of the employee investing his wages after tax and paying tax on his investment income.

Favorable Tax Treatment of the Employer

Under a qualified pension plan, an employer may deduct the amount of his contributions to the plan, subject to limitations on overfunding. As noted above, the investment income of the fund is tax free.

If a nonqualified plan does not have immediate full vesting, the law does not permit deductibility of current contributions. If the nonqualified plan has such vesting, then current contributions are deductible.

Through the deductibility of contributions of a qualified plan and the tax exemption of investment income, the government is sharing pension costs with the employer. Consequently, the employer is able to provide a given level of benefits at about half the cost of a nonqualified, nonvested plan.

Total Value of Favored Tax Treatment

It has been argued at times that under the existing pension plan provisions the Federal Government really provides no tax benefit. While there are, of course, specific provisions in the tax law relating to employer pension plans, the argument is that the outcome of these provisions is substantially the same as the general principles of tax law; and, consequently, no special benefits are extended to qualified plans. The argument, stated broadly, is that a contribution to a pension plan is "of course" a cost to an employer and ought to be deducted and that a contribution on behalf of an employee to a pension plan is not income to him until he gets the money. Under these two contentions, it is argued that tax deferral would be just the normal treatment for pension plan contributions, and no special benefit would be involved.

I want to make clear that qualified pension plans do get a special tax treatment and that deferral would not automatically follow as a matter of the application of the general principles of tax law. With regard to the employer's deduction, the general rule is that an amount is deductible under the tax law when there is a fixed liability on the employer to make a fixed payment to a definite person. If the employer is on an accrual basis, he may take a deduction even though he does not have to make the payment immediately; but the liability for payment must still be fixed. With regard to an employer's contribution to a pension plan where the employee's benefits are not vested, all that is involved for the employer is the possibility that he may have to make a pension payment to some employee in the future. This possibility of future payment is not sufficient under the general principles of tax law to permit an accrual of the deduction.

With regard to the employee, it would seem clear that if the pension contribution is not vested in the employee there is no basis for taxing the employee currently at the time that the employer's contribution is made. This is the particular case where, as I pointed out, deductibility to the employer constitutes a particular benefit granted under the present tax law.

Where the contribution by the employer is vested at the time made, or where it becomes vested at a later point before the employee receives the pension, the general principles of tax law would suggest that the employee should be taxable at that time. It is not controlling that the employee receives no cash money at that time. If I do a piece of work for you and my payment for the job is a paid-up insurance policy that will provide a life annuity beginning when I am 65 years old, I have clearly gotten something of value for this work. Under general principles of tax law, I am required to include in my income the value of the insurance policy that I have received. The special benefit provided for employees under qualified pension plans is that when they receive something of value in the form of a vested benefit to a pension the tax on this amount is deferred until they get the cash. Finally, it is clear that the investment income of a pension trust would be taxable under general principles of tax law except for the benefits extended to qualified plans.

If the total amount contributed by employers to qualified pension plans and the investment income of the funds were taxable at the corporate rate, tax liabilities would rise at current levels by about $3.8 billion per year. If the amounts were taxable at individual rates, the revenues would rise by about $1.4 billion a year. The appropriate rate, as I have indicated, depends on whether or not the benefits were vested. Therefore, the cost in revenue to the Federal Government because of the existing pension plan provisions falls somewhere between the two limits of $3.8 billion and $1.4 billion. (These estimates take into account the current tax being paid on benefits.) Since there is some degree of vesting, we may put this cost very roundly at about $3 billion.

The annual revenue loss depends on the growth of pension reserves since this is the amount of income which has not paid tax. Pension reserves have grown by increasing amounts each year. They will continue to grow as long as the number of covered employees grow or so long as benefits grow. Considering the current rate of growth of private pension coverage, it is likely that the annual revenue loss will persist for many years and even continue to grow. Given its annual revenue requirements, the government must seek revenues annually from other sources to make up the difference between taxes deferred on employer's contributions and investment income and taxes currently collected from the pension benefits currently paid.

The Cabinet Committee Report submitted some estimates of the revenue cost of the pension provisions. We have updated these to 1966 levels, and for the information of your Subcommittee, I am submitting this material for the record.

Standards for Qualification

In general, for a pension fund to attain qualified status, a plan must meet several tests. Briefly, some of the major tests are:

-- The plan must be permanent and must be made known to the employees.

-- Moneys in the fund may not be diverted but must be used for the exclusive benefit of the employees, until all liabilities have been met.

-- The plan must be "nondiscriminatory" with respect to coverage and contributions or benefits. The plan must cover either a prescribed percentage of employees or all employees in an approved classification group which does not favor stockholders, managerial, or other highly paid employees. The contributions or benefits also must not favor stockholders, managerial, or other highly paid employees.

Commissioner Sheldon Cohen is present with me to discuss the administration of these qualification requirements and other tax administrative matters.

President Johnson has often emphasized the importance of cost efficiency in government programs. In his 1966 Economic Report, the President stated:

> "Benefits that the Government extends through direct expenditures are periodically reviewed and often altered in the budget-appropriation process, but too little attention is given to reviewing particular tax benefits. These benefits, like all other activities of Government, must stand up to the tests of efficiency and fairness."

The work of the Cabinet Committee on Corporate Pensions Funds, to which Secretary Wirtz referred, represents this kind of review of tax benefits. The Report has singled out a number of problem areas and has set forth suggestions which can be used as a basis for further discussion of specific revision of the present law. Broadly, the objective of the Cabinet Committee Report recommendations is to extend coverage of private plans to a wider range of employees; to provide greater assurance that a worker will get his pension benefits; to reduce impediments to a freely mobile labor force; to assure better administration of pension funds; and to eliminate particular tax preferences which do not meet the tests of efficiency and fairness.

The tax rules governing the development of private pension plans have not changed materially since 1942. Basic issues as the vesting of benefits, the funding of benefits, the portability of benefits, and the coverage of employees need to be re-examined in the light of developments since the basic rules were laid down a quarter of a century ago.

Out of this re-examination can come a highly important re-evaluation of the way private pension plans should operate if they are to fulfill a major role in providing retirement security to the labor force.

Attachment

Range of Estimates of Net Revenue Loss Attributable to Special Tax Treatment of Private Retirement Plans, 1966

(Millions of Dollars)

Item	Based on individual income tax	Based on corpor income tax
1. Revenue gain from benefits subject to individual income tax........................	$ +325	$ +325
2. Revenue loss from tax-free income of pension and annuity funds.....................	-550	-1,350
3. Revenue loss from present tax treatment of employer's contributions......................	-1,150	-2,850
4. Net revenue loss	-1,375	-3,875

NOTES:

Item 1: Under present law, benefits are taxed to the extent they exceed the employee's contributions. Of an estimated $3.3 billion in private pension benefits in 1966, it is estimated that 36 percent appear on nontaxable returns or are excluded as a return of contributions. The remainder would be taxed, under the Revenue Act of 1964, at a marginal rate of about 20 percent (based on the distribution of pension and annuity income), but about one-fourth of the tax would be offset by the retirement income credit. Thus, approximately $325 million is now obtained by taxing benefits.

Item 2: Total investment income of private pension funds and annuity plans is estimated at $3.0 billion in calendar year 1966. This would yield tax revenue of $550 million at individual rates and about $1.35 billion if taxed at corporate rates.

Item 3: At 1966 income levels, corporate contributions to private pension and profit sharing plans are estimated at about $6.3 billion. Under the Revenue Act of 1964, the marginal rate on salaries and wages is estimated at 18.4 percent, including nontaxable returns. If corporate contributions were treated as being vested in the employees and taxed to them, their liabilities would rise by $1.15 billion.

The marginal tax rate on corporation deductions under the 1964 Act is about 45 percent. Therefore, if in lieu of employer's contributions these amounts were included in corporate profits and were made taxable to the employer, corporate tax liabilities would rise $2.85 billion.

SOURCE: Office of the Secretary of the Treasury
Office of Tax Analysis

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 18, 1966

FOR IMMEDIATE RELEASE

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $2,300,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing May 26, 1966, in the amount of $2,312,757,000, as follows:

91-day bills (to maturity date) to be issued May 26, 1966, in the amount of $1,300,000,000, or thereabouts, representing an additional amount of bills dated February 24, 1966, and to mature August 25, 1966, originally issued in the amount of $1,000,854,000, the additional and original bills to be freely interchangeable.

183-day bills, for $1,000,000,000, or thereabouts, to be dated May 26, 1966, and to mature November 25, 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 ıp to the closing hour, one-thirty p.m., Eastern Daylight Saving ime, Monday, May 23, 1966. Tenders will not be eceived at the Treasury Department, Washington. Each tender must e for an even multiple of $1,000, and in the case of competitive enders the price offered must be expressed on the basis of 100, ith not more than three decimals, e. g., 99.925. Fractions may not e used. It is urged that tenders be made on the printed forms and orwarded 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 ustomers provided the names of the customers are set forth in such enders. Others than banking institutions will not be permitted to ubmit tenders except for their own account. Tenders will be received ithout deposit from incorporated banks and trust companies and from esponsible and recognized dealers in investment securities. Tenders rom others must be accompanied by payment of 2 percent of the face nount of Treasury bills applied for, unless the tenders are companied by an express guaranty of payment by an incorporated bank trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for each issue for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on May 26, 1966, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 26, 1966. Cash and exchange tender will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

May 18, 1966

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 May 31, 1966, in the amount of $1,000,886,000, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated May 31, 1966, and will mature May 31, 1967, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving time, Wednesday, May 25, 1966. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. (Notwithstanding the fact that these bills will run for 365 days, the discount rate will be computed on a bank discount basis of 360 days, as is currently the practice on all issues of Treasury bills.) It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Banking institutions generally may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others than 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 May 31, 1966, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 31, 1966. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT
Washington

FOR USE IN MORNING NEWSPAPERS
THURSDAY, MAY 19, 1966

REMARKS OF THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AT A NEWS CONFERENCE ON THE BALANCE OF PAYMENTS
IN THE FIRST QUARTER OF 1966
MAY 18, 1966, at 2:30 P.M., EDT

The balance of payments table and news release of the Commerce Department released today shows a seasonally adjusted first quarter deficit of $582 million on the over-all liquidity basis.

At the recommendation of the Advisory Committee on Balance of Payments Statistics, chaired by Dr. Edward M. Bernstein, and the Statistics Subcommittee of the Joint Economic Committee of the Congress, chaired by Senator Proxmire, we began reporting the deficit in the last quarter of 1965 on both the "over-all" and the "official settlements" bases.

On the latter basis the seasonally adjusted first quarter deficit was $262 million.

The major difference between the two is that the over-all, or liquidity, account includes changes in private foreign dollar holdings, and the official settlements does not.

As pointed out in the Commerce Department release, the first quarter official settlements deficit represented a considerable improvement from the fourth quarter rate of $1.2 billion and the 1965 second half quarterly average of $470 million -- with these figures calculated on the same basis.

Since mid-1965, with the beginning of the large build-up in direct and indirect costs of our military and aid operations in Southeast Asia, we have, however, been little more than holding our own -- in terms of "overall" balance of payments results.

In August, reporting on the second quarter surplus, I warned of the dangers of possible complacency, saying of the second quarter surplus:

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

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

You are all aware that quarterly figures are notoriously unreliable guides to future performance. Multiplying the first quarter deficit figures by four to arrive at an estimate of the 1966 deficits on the "over-all" or "official settlements" basis would be no more appropriate than to have treated last year's second quarter surplus as marking the solution of our problem.

So let us examine the past three quarters since the new and significant factor of the Vietnam build-up entered the picture last August, adjusting them to take into account two specific arrangements with Canada and West Germany.

If the $150 million of Canadian security issues shifted from the fourth quarter of 1965 to the first quarter of 1966 were shifted back to the fourth quarter (net of $40 million of Canadian first-quarter repurchases of its obligations from U. S. investors), you would see the following pattern of seasonally-adjusted quarterly deficits since mid-1965.

	Over-all Deficit (millions of dollars)
3rd quarter 1965	-509
4th quarter 1965	-476
1st quarter 1966	-472

The reasons for this shift of Canadian issues from the fourth quarter to the first quarter are given in our attached news release of November 9, 1965.

If, in addition, the present military offset arrangements with West Germany, which call for German payments to the United States during the fiscal years July 1, 1965, to June 30, 1967, for military equipment to offset our military expenditures in Germany, were functioning on an even quarterly basis (which is not part of the arrangement), the picture, on a seasonally adjusted basis, would be (table follows)

	Over-all Deficit (millions of dollars)
3rd quarter 1965	-377
4th quarter 1965	-361
1st quarter 1966	-382

It would seem from these figures that since the beginning of the large build-up in Vietnam last August,our progress toward achieving equilibrium in the balance of payments has been arrested. Those who would pass judgment on the long trend in the United States balance of payments must ask what would the situation have been without the Vietnam build-up. This question arises naturally from the fact that the balance of payments costs and consequences of the Vietnam conflict are not permanent or ordinary costs that will persist indefinitely.

Two factors must be taken into account: (a) the rising balance of payments costs in Southeast Asia of both the military and the aid programs and (b) the direct and indirect impact of Vietnam on the domestic economy and the balance of trade.

In the last quarterly balance of payments press conference, I answered questions concerning the increases in the direct balance of payments impact of military and aid outlays related to Vietnam. They are substantial.

But the indirect effects are also important, if more difficult to measure. Gross national product has increased in the fourth quarter of 1965 and the first quarter of 1966 at unusually high rates in real terms as well as current dollars. The impact of the sharp increases in government orders placed as a result of the Vietnam build-up undoubtedly contributed to the fact that manufacturing plants operated at the highest utilization rate in many years and that plant and equipment expenditures moved up at a sharply increasing rate. Although one cannot pinpoint the exact amount of the exuberance of the two quarters that should be attributed to Vietnam, clearly it was substantial and it adversely affected our trade balance.

Instead of the improvement that we had expected from last year's $4.8 billion rate, the trade surplus in the fourth quarter, amounting to $5.1 billion at an annual rate, dropped in the first quarter to $4.4 billion at an annual rate.

Exports increased at an annual rate of $350 million over the fourth quarter, a very respectable rise, and imports rose $1,000 million. How much higher exports and how much lower imports would have been without the pressures on capacity and demand, created, in part, by the increased scale of Vietnam associated activities, is almost impossible to say.

But we know that there was an effect, and the adverse indirect impact of Vietnam on our balance of payments since we made our forecast last fall may well have been greater than the direct costs.

We suggest that careful analysis will support the proposition that, absent the Vietnam build-up, the United States might have moved substantially closer to equilibrium in its balance of payments in the three quarters under discussion.

Indeed the picture for the first quarter of 1966 would be much more favorable:

(a) if there were no direct balance of payments costs of Vietnam, or,

(b) if the West German military offset payments had caught up to schedule this quarter, or,

(c) if the Canadian security offerings in the New York market in the first quarter had not been bunched, or,

(d) if the quarterly trade surplus had, in fact, been of the magnitude consistent with the assumption stated in the 1966 program when it was announced in early December.

So the question arises what should be done? We have not waited for the figures announced today to begin to arrive at answers and, in fact, put them into effect.

On March 8, the President issued new orders to all government departments and agencies urging them to examine their dollar outflows and to reduce them to an absolute minimum. (See attached copy)

The Department of Defense began in March to consider a series of new measures designed to reduce the foreign exchange costs of its activities.

The Agency for International Development continues to take steps to assure that our foreign assistance, to the greatest extent possible, takes the form of the transfer not of financial resources but of real resources -- exports from the United States.

The Federal Reserve voluntary credit restraint program continues to operate effectively. We had an inflow of $255 million in short- and long-term bank funds in the first quarter, slightly more than in the fourth quarter of 1965. Governor Robertson will comment further on this.

Secretary Connor issued a press release on May 11, describing the current status of the voluntary program being administered by the Department of Commerce. We will not have for some weeks the first quarter figures for direct investment and investment income. Secretary Connor will have a statement on this phase of the program.

The Foreign Tax Investors Act, now reported out by the House Ways and Means Committee, should become law as soon as possible to provide the basis for an expansion in private foreign portfolio investment in the United States.

We had allowed for another increase in the tourist deficit in our 1966 forecast last fall. It remains to be seen whether the increase will be larger than anticipated. Meanwhile, we have been studying ways of making our present program, designed to stimulate travel in the United States, more effective. There is a strong feeling throughout the government that we must spend more money to promote our product, to make more foreigners and more of our own citizens aware of the tourist attractions here and to make those attractions as accessible and appealing as possible.

It is clear that our trade balance and export growth are the key to the future. We here in the government have talked a great deal about exports and I believe we have made progress -- particularly in the Commerce Department -- in our various efforts to stimulate exports. But I am not sure that we have made it as clear as we should that exports are a matter of critical concern to all of us. Here is a field of endeavor in which the government and the business community clearly have a deep and lasting mutuality of interest.

The Action Committee of the National Export Expansion Council recently submitted three reports to the President on Export Financing, Exports and Taxation, and Ocean Transportation, Freight Rates, and Export Expansion. These reports contain a number of interesting and helpful suggestions. Mr. Harold Linder, Chairman of the Export-Import Bank, has announced a long list of adjustments in the policies of that bank designed to make it faster and easier and in some instances cheaper for exporters to obtain export financing. These changes coincide with certain of the recommendations of the NEEC Action Committee Report. Other recommendations in these reports are under active study in the government and no doubt will be reflected in further positive action.

The Commerce Department is intensifying its efforts to bring together American producers and foreign importers and to assist the American producer to make, package, and deliver his product in the most effective way for sale in a foreign market.

The Secretary of Agriculture is actively engaged in promoting exports in that very important sector. Our AID mission directors are becoming more export-conscious and studies of ways in which they can help stimulate United States exports with promising repeat-business potential are underway.

Indeed, there are encouraging signs in our export performance. Exports are up this year, and in March they were up sharply to a record level -- the highest level in history except for March 1965, when our shipments surged forward at the end of the dock strike. The encouraging thing about the March figures, furthermore, is the broad range of non-agricultural products for which export demand increased.

But we can do still better. And we here in the government must make sure that we do not unwittingly put impediments -- administrative and otherwise -- in the way of our exporters.

On the import side, I am hopeful that as the rate of increase of Gross National Product slows -- and I think you would agree it will not continue to increase at the same rate as in the first quarter -- and as new productive capacity comes on-stream, we will be better able to supply domestic demand for goods and services from domestic sources.

Our goal is still the achievement of equilibrium -- sustained equilibrium. The multiple costs of Vietnam have made the task more difficult to be sure, and it may be that we will have to settle for an interim objective of equilibrium exclusive of the costs of Vietnam.

As always, the future is unclear. But this should be crystal clear: we will reach an appropriate degree of equilibrium and we will do so in ways consistent with our obligations, as we see them, to our own citizenry and to the remainder of the Free World.

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Attachments

TREASURY DEPARTMENT

WASHINGTON, D.C.

November 9, 1965

CANADIAN SECURITIES ISSUES POSTPONED

The Treasury today issued the following statement in response to inquiries:

> The United States and Canada have agreed that the financial authorities of both countries will solicit the cooperation of borrowers and underwriters of both countries in deferring delivery until 1966 of further securities offerings.
>
> 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 spring.

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FOR IMMEDIATE RELEASE MARCH 8, 1966

Office of the White House Press Secretary

THE WHITE HOUSE

MEMORANDUM FROM THE PRESIDENT FOR CABINET OFFICERS AND HEADS OF MAJOR AGENCIES

Our balance of payments requires our continuing attention and concern. We achieved a substantial improvement in the overall deficit in 1965 and we look forward to further improvement this year.

Federal overseas transactions play an important role in our balance of payments, and for the past several years we have made a great effort to minimize the adverse impact that our Federal programs might have on our balance of payments. But the requirements associated with Vietnam, both for military and for economic assistance, now demand even greater vigilance in controlling our overseas Federal transactions.

Under the procedures which have been established to control the balance of payments impact of the Federal Government's overseas activities, you are scheduled to report by March 15 to the Bureau of the Budget on your agency's international transactions. I urge that you use this occasion to reexamine all of your overseas programs with the utmost care. Your objective should be to maximize receipts and to minimize expenditures abroad consistent with the achievement of U.S. objectives.

I have instructed the Director of the Bureau of the Budget to examine your reports carefully and to inform me promptly of the progress which is being made by each Federal agency in assisting the Nation to achieve equilibrium in its balance of payments.

# # #

TREASURY DEPARTMENT

WASHINGTON, D.C.
May 19, 1966

FOR IMMEDIATE RELEASE

EXCEPTIONAL SERVICE AWARDS
PRESENTED TO THREE TREASURY OFFICIALS

Under Secretary Joseph W. Barr today presented Exceptional Service Awards to three Treasury officials --

Miss Eva B. Adams, Director of the Mint.

Ernest C. Betts, Jr., Deputy Assistant Secretary of the Treasury for Administration and Director of the Office of Budget and Finance.

Bill McDonald, Assistant National Director of the Treasury's Savings Bonds Division.

Miss Adams, a native of Wonder, Nevada, was named by President Kennedy as Director of the Mint in 1961.

Previously she served as Administrative Assistant to three United States Senators from Nevada. Miss Adams holds degrees from the University of Nevada, Columbia University and George Washington University.

Mr. Betts, a native of Sparta, Wisconsin, has been Director of the Office of Budget and Finance for more than three years, and also has been serving since late 1964 as Deputy Assistant Secretary of the Treasury for Administration. Mr.Betts has had a long government career, previously serving as Budget Officer for the Department of State, Personnel Director at the Department of Agriculture, and in other posts at home and abroad. He attended Platteville State Teachers College and Vernon County Teachers College, and taught school in Wisconsin before entering the Government service in 1939.

Mr. McDonald, Assistant Director of the U.S. Savings Bonds Division, was born in Guntersville, Alabama, in 1909, and has been with the Treasury Savings Bonds staff since 1942, except for Army Service during World War II. He is a graduate of Columbus University, Washington, D.C. Mr. McDonald served as Executive Officer for the Savings Bonds Division from 1947 until 1950, when he was named Assistant National Director for all phases of the Savings Bonds program.

(Citations attached)

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CITATION

Exceptional Service Award

Eva B. Adams

As Director of the United States Mint since October 1961, Eva Adams has served in the highest traditions of public service. Her participation in top policy formulation has combined her own wide-ranging judgment with the Mint's technical know-how. When final policy decisions have been reached, she has translated them into effective and efficient action which has protected the nation from severe coin shortages.

The success of the Mint in overcoming persistent coin shortages has resulted also from her exemplary relations with Congress. By keeping that body fully informed as to the Mint's plans and problems, there has resulted an executive-legislative cooperation making possible these accomplishments.

Soon after becoming Director of the Mint, Eva Adams worked closely with a private management consultant firm -- the Arthur D. Little Company -- to survey the nation's coinage needs and the Mint's facilities for dealing with them. Out of this survey came legislation for the construction of new and up-to-date Mint facilities in Philadelphia, Pennsylvania.

When coin shortages threatened in 1963, she put the Mint on a 24-hour schedule to meet the demand. In 1964 she overcame another shortage by inaugurating a crash program to double the production of coins. Her work in cooperation with other Treasury officials and a private consulting firm -- the Battelle Memorial Institute -- resulted in the President's recommendation of legislation leading to the enactment of the Coinage Act of 1965, providing new coinage materials to conserve the nation's dwindling supplies of silver. She then launched the production of the new, intricately designed coins in quantities sufficient to forestall a coin crisis in 1965.

These accomplishments are a tribute to the ability of Eva Adams to provide the Secretary of the Treasury with the basis for sound policy determination, to furnish Congress with information needed to take appropriate action, to maintain the high morale of Mint employees encouraging record-breaking production and to administer new programs in an efficient manner.

CITATION

Exceptional Service Award

Ernest C. Betts, Jr.

For his outstanding performance as Director of the Office of Budget and Finance; for his effective contributions to the full range of Treasury's management improvement programs in his role as Deputy Assistant Secretary for Administration; and for exemplifying the highest traditions of the career Civil Service through his loyal, dedicated, imaginative, and capable efforts.

CITATION

Exceptional Service Award

Bill McDonald

This award is made in recognition of Bill McDonald's outstanding contributions to the U. S. Savings Bonds Program and the Treasury Department. Through his broad knowledge of the Program, his sound judgment, and his ability to make decisions, the Savings Bonds Program has been maintained at an exceptionally high level in sales and operations. This has been accomplished in spite of strict limitations on budget and number of personnel. His dedication to the Program and exemplary performance well justify his receiving this Exceptional Service Award.

TREASURY DEPARTMENT
Washington

STATEMENT OF THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE THE
COMMITTEE ON BANKING AND CURRENCY
HOUSE OF REPRESENTATIVES
THURSDAY, MAY 19, 1966, 10:00 A.M.

Mr. Chairman and Members of the Committee:

I have been asked to comment today on two bills before your Committee -- H.R. 14026 and H.R. 14422 -- which in different ways would affect the acceptance or issuance of time deposits by insured commercial banks. Before addressing myself to these two bills and making certain specific suggestions of my own, I would like to offer a general comment on recent developments regarding the competition for time deposits.

I should point out, first of all, that the Treasury does not have a direct supervisory interest regarding the rates and other terms offered on bank time deposits and on competing investment forms offered by other financial institutions. However, because of our general concern about the state of the economy, and our particular concern with the management of Government finances, we have a continuing interest in the maintenance of stable financial markets. Moreover, in bringing together, at the request of the President, a Coordinating Committee on Bank Supervision -- which includes the Comptroller of the Currency and the Chairmen of the Federal Deposit Insurance Corporation, the Federal Home Loan Bank

Board and the Federal Reserve Board -- the Treasury has been actively interested in this question.

Recent developments in the competition for savings may be traced conveniently back to 1961, when a combination of more aggressive competitive behavior by commercial banks and a series of revisions in the Federal Reserve's Regulation Q and the FDIC's Regulation 329 resulted in a substantial increase in commercial bank time deposits and in important changes in the portfolio policies of banks. Between year-end 1961 and year-end 1965 commercial bank time deposits increased by about $64 billion -- or more than 75 per cent. This is a compounded growth rate of 15.5% yearly -- achieved on a base that was already substantial.

A portion of the accelerated growth in bank time deposits came from funds that might otherwise have gone to savings and loan associations and mutual savings banks; in some instances, this may have reflected a return flow of funds that had previously been shifted away from banks -- for savings and loan associations, in particular, had enjoyed an extraordinarily rapid growth rate in the earlier postwar years. Some of the growth in commercial bank time deposits reflected shifts by corporations and public treasurers away from competing money market instruments including Treasury bills. And some of the increase in time deposits probably reflected shifts from bank demand deposits.

More recently many banks have offered so-called savings certificates or "savings bonds," generally in non-negotiable form, which have made higher time deposit rates available to individual savers with accounts largely in the $2,500 to $100,000 range. In some cases, the higher rates have been made available on savings instruments ranging even smaller in size -- all the way down to about $20 or even less. In contrast, negotiable certificates of deposit -- or CD's -- are typically issued and traded in size units of $100,000 or more, serving as a liquid money market instrument rather than as a savings medium.

The rapid inflow of funds into banks spurred more aggressive lending policies by banks and encouraged many banks to move into areas of lending that had received less attention earlier. Mortgage lending, consumer credit lending, and investments in obligations of state and local governments showed particular increases among bank assets. On the whole, these shifts in bank lending and investing practices have been desirable, contributing importantly to the unprecedented growth of credit and economic activity that we have experienced in recent years. Banking has certainly become more competitive. The margins between what banks pay for funds and what they earn on loans and investments has narrowed and the public has benefitted.

It is true that a few banks have used certificates of deposit unwisely to finance unsound loan portfolios. But such practices are not inherent to CD's or increased time deposit competition. Bank failures during the past few years have alerted supervisory agencies to potential problems and alerted the general public to potential risk

As market interest rates have advanced during the past year banks have been under pressure to raise rates paid on time deposits, particularly in order to attract and retain rate-sensitive funds. The Board of Governors of the Federal Reserve System decided last December to raise the rate ceiling on time deposits from 4-1/2% to 5-1/2%, enabling banks to compete at higher levels. At the same time, the Board elected to keep the 4% ceiling on savings deposits, in order to limit the impact of rate competition among banks and between banks and other financial institutions.

In recent years many economists have favored eliminating, or placing on a standby basis, any interest rate ceiling on time and savings deposits. Both the Commission on Money and Credit, in 1961, and President Kennedy's Committee on Financial Institutions, in 1963, recommended placing on a standby basis interest rate ceilings that would apply both to banks and other thrift institutions. This recognizes that, in principle it is hard to defend a policy that insulates banks and other financial institutions from competing among themselves.

While acknowledging this point of principle, I believe the present period demonstrates that there is a need at times for the guidance that regulatory agencies can provide. At the very least, ceilings are needed in transitional periods, when financial institutions are making adjustments to a changing competitive environment. Moreover, it is important that the authority of the supervisory agencies with respect to ceiling rates and other pertinent factors relating to time and savings deposits be available with some flexibility to distinguish among different types of deposits. Regardless of what ceiling rates or other conditions may currently exist or be proposed, the present experience should stimulate some hard thinking by all of us -- in the financial markets as well as in Government -- about the pros and cons of bidding for "hot money."

In seeking legislation in this area, I believe an important principle to keep in mind is the undesirability of taking an approach that would permanently inhibit healthy competition among financial institutions. It would be equally undesirable, however, to remain aloof to the point that destructive competition dealt permanent injury to our financial institutions and the sectors of our population and our economy that depend on those institutions.

One of the bills before you, H.R. 14026, would prohibit banks rom issuing negotiable deposits or notes. This would substantially lessen the attractiveness to investors of large denomination certificates of deposit, although it probably would not eliminate their use entirely.

The possible effects of a sharp reduction in the volume of certificates of deposit are difficult to contemplate. Based on the funds they have obtained in this manner, banks have built up enormous additions to their assets -- representing useful credits to many segments of the economy. It is not easy to say "where the money would go" if negotiable certificates of deposit could not be renewed as they matured. At the least, there would very likely be severe transition problems for particular institutions and segments of borrowers that found credit flows cut off.

To some extent, banks probably could continue to obtain funds by issuing non-negotiable certificates of deposit, but this might require higher interest rates than are paid now. Almost certainly, banks would have to issue such certificates in shorter maturities than is the current practice, thus foreshortening the time when periodic renewals must be arranged.

H.R. 14026 would also prohibit banks from selling negotiable debentures. During the past few years banks have added more than $1.5 billion to their capital through the sale of debentures. If banks were able to sell debentures only in non-negotiable form they would probably have to pay higher interest rates, if indeed they could sell them at all.

While I would not favor H.R. 14026, I do not mean to say that we see no problems at all in the CD area, or that we have no concern about the current role CD's seem to be playing in the interest rate structure. As beneficial as CD's have been over the past several years, I must say that aggressive bank competition to obtain these short-term funds -- which has been the counterpart of the aggressive bank competition to extend credit in channels that benefitted the economy -- has worked at times to move short-term interest rates higher. When this process succeeded in generating a larger pool of funds that the banks could use in extending longer term credits, this additional pressure at the short end was tolerable. Indeed it was welcome in the early years of the 1960's in order to raise our short-term interest rates in relation to those rates abroad, thereby averting or retarding outflows that would add to the deficits in our balance of payments. But when we reach a situation where to a considerable extent banks are bidding against one another, or against others who must use the short-term money market, to secure more of a rather limited total supply of available funds, a question may be raised as to whether this useful device is perhaps being pushed too far.

As I said in a speech in Phoenix, in early April:

> I would hope, also, that there will be an accompanying disengagement from unreasoning competition for time and savings deposits that ignores the need for caution and the harm that kind of competition can do to our banking and financial system.

This is a question that has been under study within the Government, particularly in the last five months. We do not have simple answers to offer here. I cannot conclude that a flat ban on negotiable certificates of deposit would be desirable. If, in the judgment of the Committee, some action is deemed desirable, a better approach might lie in the direction of providing the appropriate monetary authorities with greater discretion to set levels of reserve requirements on large negotiable certificates of deposit that might exceed those on other time and savings deposits. Of course, you will want to consider carefully the views of those much closer to the problem of day-to-day bank supervision.

Another bill before you -- H.R. 14422 -- would prohibit insured banks from accepting time deposits in an amount less than $15,000. This bill, along with the present Regulation Q ceilings, would in effect restrict banks to the 4 per cent rate ceiling on savings deposits for accounts of less than $15,000.

While I have considerable sympathy with the apparent objectives f H. R. 14422, it does seem to me that its approach is unnecessarily igid, and that it is unnecessarily discriminatory against smaller avers at commercial banks under the present interest rate spread.

At the same time, many of us are concerned about the considerable vidence that something should be done promptly to retard the outflow nd threatened outflow of savings funds from savings and loan ssociations and mutual savings banks. While none of us is in a osition to evaluate just how serious this threat may be as a ong-term matter affecting these institutions, there is a genuine urrent concern in the Congress, in the Federal Home Loan Bank oard, and in the private economy, that a continued savings outflow ould place undue stress on some of these financial institutions, nd undue constraints on the flow of money into the mortgage market nd homebuilding.

Under the circumstances, the prudent course would seem to be o provide some simple form of insurance that could be put in effect peedily, that would tend to avoid drastic dislocations, and that ould provide our savings institutions with an opportunity to make n orderly adjustment to new competitive situations. By placing temporary restraint on excessive competition in this area, it should be possible both to protect the structure of the thrift institutions and to bolster the flow of funds to the homebuilding industry.

In acting promptly to provide temporary relief from the problems of excessive rate competition, I do not believe we should commit ourselves to permanent arrangements that would impede and compartmentalize our financial markets. Rather the present purpose is to find agreement, along simple lines, on means for dealing with this temporary transitional problem.

With this background in mind, I would like to make certain affirmative proposals that I would urge this Committee to consider and act on promptly. Specifically, I believe it would be desirable to provide the monetary authorities,on a temporary basis designed to cover this transition period, with discretion to set a different rate ceiling on time deposits up to the maximum amount covered by Federal deposit insurance. Under present circumstances, this would mean that a maximum rate of, say, 5% could -- and I might say should -- be set on time deposits up to $10,000. For larger time deposits, the first $10,000 would be covered by a maximum rate which could be set at 5%, while the balance could pay interest at rates up to those now specified in the Federal Reserve's Regulation Q.

The choice of an appropriate size limit on which to set different maximum rate levels is not an easy question to resolve in view of all the equity considerations and competitive factors involved. We

We suggest $10,000 as an appropriate limit for two important reasons:

First, tying this limit to the maximum insurance limit makes sense in view of the Government's contingent liabilities on deposits up to this size. Assuming the necessity for establishing a limit, and I believe there is such a necessity, it is logical that those who have the protection of Government insurance should be prepared to receive a slightly lower rate on the insured amounts.

Second, based on our information about the current situation, we believe that this limit represents a middle course which should alleviate the impact of destructive competition for savings, without seriously impairing the ability of banks to engage in constructive intermediation. A limit of this nature, with the rate set in current circumstances at a 5% level, should be of significant help in deterring further large drains of funds from the specialized savings institutions. Timely protective measures, undertaken now, will help in relieving the liquidity strain on these institutions, and in turn relieving the strain on important sectors of the economy that depend on an availability of funds from these institutions -- notably the mortgage market and the homebuilding industry.

Taken over-all, I believe that the $10,000 dividing point, tied to the present insurance limit, makes sense from the standpoint of prudent economic policy. A higher limit -- with discretion for setting the figure given to the appropriate supervisory authorities, but perhaps somewhere in the range of $25,000 to $100,000 -- might also make good economic sense in present circumstances. I would not be opposed to such a limit, provided on a temporary basis, and this is a point that the Congress should consider carefully, but my own preference in this temporary authority would be for a link to the maximum insured account size. Against the background of current policies as reflected in the recent announcement of the Federal Home Loan Bank Board, I believe this approach could be part of a framework for sustainable competition among thrift institutions.

For the foregoing reasons, I sincerely urge the Committee to give serious consideration to this proposal as an alternative to other legislative proposals before it. I have available copies of a draft of a bill which would provide temporary authority for a two-year period to the Federal Reserve Board and the Federal Deposit Insurance Corporation to institute different rate ceilings for that portion of time deposits up to the maximum amount that may be covered by Government insurance.

Finally, I would like to emphasize just as firmly as I can that these proposals are not a cure-all or a permanent attempt to deal with the problem of competition in the financial area. Certainly, they are not intended to permanently impair competition -- which is the vital force of our economy. Rather, they would provide a measure of insurance during a period of transition.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

MAY 19 1966

FOR IMMEDIATE RELEASE

TREASURY DECISION ON VINYL ASBESTOS FLOOR TILE UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that vinyl asbestos floor tile from Canada, manufactured by Building Products of Canada Limited, Montreal, Canada, is not being, nor likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. This action is being taken after consideration of all comments received pursuant to a "Notice of Tentative Determination" that such merchandise was being sold at less than fair value within the meaning of the Antidumping Act, as published in the Federal Register on January 7, 1966.

Supplemental clarifying information from the manufacturer resulted in a reduction of the margin of price discrimination previously found. Assurances were given that prices would be revised and that there would be no resumption of the price discrimination. The complainant, upon being informed of this, withdrew its complaint.

Appraising officers are being instructed to proceed with the appraisement of this merchandise from Canada, manufactured by Building Products of Canada Limited, Montreal, Canada, without regard to any question of dumping.

Imports of the involved merchandise received during the period January 1, 1965, through February 28, 1966, amounted to approximately $310,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 20, 1966

FOR IMMEDIATE RELEASE

TREASURY DECISION ON STEEL JACKS
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that steel jacks from Canada, manufactured by J. C. Hallman Manufacturing Co., Ltd., Kitchener (formerly Waterloo), Ontario, Canada, are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. This action is being taken pursuant to a "Notice of Tentative Determination," published in the Federal Register on January 5, 1966.

The merchandise under consideration consists of heavy-duty steel jacks, from 36 inches to 64 inches high. They are hand operated mechanisms for lifting cars, trucks, tractors, etc.

All submissions received in opposition to the tentative determination were given full consideration.

Accordingly, this case is being referred to the United States Tariff Commission for an injury determination.

Notice of the determination and of the reference of the case to the Tariff Commission will be published in the Federal Register.

Imports of the involved merchandise received during the period July 1, 1964, through March 31, 1966, amounted to approximately $315,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 20, 1966

FOR IMMEDIATE RELEASE

GUINEA AND TUNISIA ADDED TO COUNTRIES WHERE U. S. CITIZENS MAY BUY LOCAL CURRENCY FROM U. S. GOVERNMENT

The Department of State and the Treasury Department announced today that United States citizens visiting or residing in Guinea may purchase the curreny of that country from the United States Embassy there. U. S. owned balances of Tunisian currency may now be purchased by Americans in that country from the Central Bank of Tunisia upon specific request by U. S. citizens that the Bank sell them dinars from the U. S. Government's account. Sales in both countries will be made at the official rate of exchange.

This brings to five the number of countries where Americans may purchase local currencies from officially owned U. S. balances. The U. S. has been selling Indian rupees and Israeli and Egyptian pounds to U. S. citizens in those countries for some time.

To reduce the outflow of dollars from the U. S. and thereby reduce the U. S. balance of payments deficit, the United States Government urges American tourists to purchase local currencies through the official United States missions in the five countries where they are available. When local currencies are purchased in this way, the dollars stay in American Government accounts and there is no outflow of dollars to foreign holders, although the transactions take place abroad.

In the case of Guinea, the local currency may be purchased at the U. S. Embassy in exchange for U. S. currency, personal checks drawn on a bank in the U. S. or for U. S. travelers checks. Purchasers must present their passports for indentification. The same dollar instruments will apply in Tunisia, except that the purchases must be made at the Central Bank.

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OVER

Background to Announcement of Local Currency Arrangements with Guinea and Tunisia

Balances of the currencies of the two countries became available for sale to U. S. citizens when Guinea and Tunisia were added to the list of countries where official U. S. holdings of local currencies have become larger than required to meet the needs of the U. S. Government and where appropriate procedures were established. The currencies have been received by the United States from the sale of surplus agricultural commodities.

The U. S. owns working balances in the local currencies of other countries in Western Europe, Latin America, Africa and the Far East; however, in most cases, these balances are not presently adequate to cover official U. S. expenses.

As further sales of U. S. agricultural products are made for foreign currencies, and as United States official requirements change, arrangements for additional sales of other currencies to private U. S. citizens will be negotiated where possible and advantageous.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

May 23, 1966

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 $2,300,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing June 2, 1966, in the amount of $2,301,540,000, as follows:

91-day bills (to maturity date) to be issued June 2, 1966, in the amount of $ 1,300,000,000, or thereabouts, representing an additional amount of bills dated March 3, 1966, and to mature September 1, 1966, originally issued in the amount of $1,001,471,000, the additional and original bills to be freely interchangeable.

182-day bills, for $1,000,000,000, or thereabouts, to be dated June 2, 1966, and to mature December 1, 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, Friday, May 27, 1966. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for each issue for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on June 2, 1966, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 2, 1966. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT

WASHINGTON. D.C.

R RELEASE 6:30 P.M.,
nday, May 23, 1966.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced that the tenders for two series of Treasury bills, series to be an additional issue of the bills dated February 24, 1966, and the other ies to be dated May 26, 1966, which were offered on May 18, 1966, were opened at the leral Reserve Banks today. Tenders were invited for $1,300,000,000, or thereabouts, of -day bills and for $1,000,000,000, or thereabouts, of 183-day bills. The details of two series are as follows:

IGE OF ACCEPTED IPETITIVE BIDS:	91-day Treasury bills maturing August 25, 1966		183-day Treasury bills maturing November 25, 1966	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	98.834	4.613%	97.548	4.824%
Low	98.824	4.652%	97.538	4.843%
Average	98.828	4.638% 1/	97.542	4.835% 1/

49% of the amount of 91-day bills bid for at the low price was accepted
83% of the amount of 183-day bills bid for at the low price was accepted

AL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

istrict	Applied For	Accepted	Applied For	Accepted
oston	$ 19,096,000	$ 9,096,000	$ 4,713,000	$ 4,713,000
ew York	1,583,232,000	929,862,000	1,387,722,000	725,882,000
hiladelphia	29,679,000	12,679,000	15,086,000	7,001,000
leveland	27,885,000	27,885,000	15,957,000	12,800,000
ichmond	11,147,000	11,147,000	4,014,000	4,014,000
tlanta	30,148,000	23,148,000	21,278,000	12,674,000
hicago	267,143,000	142,042,000	312,461,000	153,911,000
t. Louis	42,523,000	34,523,000	24,016,000	17,016,000
inneapolis	15,287,000	15,287,000	10,784,000	9,199,000
ansas City	24,107,000	24,107,000	17,934,000	17,434,000
allas	21,175,000	12,665,000	13,576,000	9,406,000
an Francisco	73,637,000	57,599,000	87,346,000	26,271,000
TOTALS	$2,145,059,000	$1,300,040,000 a/	$1,914,887,000	$1,000,321,000 b/

Includes $220,696,000 noncompetitive tenders accepted at the average price of 98.828
Includes $120,153,000 noncompetitive tenders accepted at the average price of 97.542
These rates are on a bank discount basis. The equivalent coupon issue yields are 4.76% for the 91-day bills, and 5.03% for the 183-day bills.

TREASURY DEPARTMENT
Washington

STATEMENT BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE THE HOUSE WAYS AND MEANS COMMITTEE
ON THE PUBLIC DEBT LIMIT
10:00 A.M., MONDAY, MAY 23, 1966
(EXECUTIVE SESSION)

The President in his Budget Message last January requested legislation that would raise the ceiling on the public debt for the period after June 30, 1966. Existing law provides that the temporary debt limit, now at $328 billion through June 30, 1966, will revert to the permanent limit of $285 billion on July 1, 1966, making legislative action essential prior to the end of the fiscal year.

Otherwise the Treasury and the United States Government will be in the impossible position of being unable to refinance maturing debt as it comes due and, as our cash balances are exhausted, unable to pay for Government expenditures.

Last year when I appeared before you on the debt limit we requested a temporary ceiling of $329 billion to cover the high point of our needs on March 15, 1966. I wish to report that on that date our debt limit need, within the

TREASURY DEPARTMENT
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Otherwise the Treasury and the United States Government will be in the impossible position of being unable to refinance maturing debt as it comes due and, as our cash balances are exhausted, unable to pay for Government expenditures.

Last year when I appeared before you on the debt limit we requested a temporary ceiling of $329 billion to cover the high point of our needs on March 15, 1966. I wish to report that on that date our debt limit need, within the conventional framework of a $4 billion cash balance and a $3 billion leeway, was within $300 million of our estimate. That is, the actual debt subject to limit was $323.4 billion, while the cash balance was $1.2 billion. If the cash balance had been at the normal $4 billion level, the debt would have been $326.2 billion -- or only $300 million away from the $325.9 billion on which we had based our requested $329 billion -- and allowing only $1.8 billion for contingencies.

There was no need to draw upon any leeway for contingencies so we were able to live with the fact that this Committee, in reducing our request to $328 billion, actually allowed us only a $2 billion margin for contingencies. Had contingencies arisen requiring the utilization of more than the $2 billion we would have been beyond the margin of prudence and safety, assuming normal cash balance requirements.

As usual in our request for a new debt limit ceiling we have assumed a $4.0 billion constant cash balance -- this plus the $3 billion allowance for contingencies has been the usual basis for the request. However, as the

Committee knows, the cash balance necessarily fluctuates over a wide range; it will frequently be high after tax dates and new financings and can safely be lower immediately before tax payment dates.

This $4 billion base is a conservative number to cover our actual needs. Since the level is necessarily much higher than this after tax dates and major cash borrowing dates, it would have to be considerable lower than this level on many other occasions in order to average $4 billion. In fact, our average cash balance in fiscal 1965 was $6.3 billion and the average was last below $4 billion in fiscal 1958. I am pleased to report that this year, through vigorous efforts, we will hold the cash balance to an average of about $5.0 billion. That is only slightly over half a month's budget expenditures and is about as low as one can go in prudence to economize on our cash balances. At one point this past year our cash balance was down to $573 million -- the lowest level since before World War II. This was certainly an unsustainably low level, but it was indicative of our continuing effort to keep the balance as low as is consistent with sound fiscal management.

The customary $3 billion debt ceiling allowance for contingencies represents a minimum margin of safety to cover events we cannot now foresee as well as to the uncertainties of month-to-month estimates of receipts and expenditures for thirteen months in the future. In addition, Treasury borrowing operations are necessarily in large amounts and are attuned to both our needs and favorable market opportunities. Because these borrowings cannot be adjusted perfectly to day-to-day changes in our cash balances we must have the leeway to cover the temporarily higher debt levels immediately following a financing.

Other than the requirements for a minimum cash balance and a contingency allowance, the debt ceiling requirement is primarily determined by (1) the seasonal imbalance in our receipts and expenditures and (2) the result of the previous fiscal year's receipts and expenditures on the public debt.

On the first point we will have received about 42 percent of our revenues in the first half of fiscal 1966, whereas expenditures will be approximately equal in the two halves of the year. Thus in fiscal 1966, as usual, we have had to borrow heavily in the July-December period and, with large tax receipts in March, April and June, we will pay off all or a large part of these seasonal needs in the spring months. On the second point -- namely, the prior year's fiscal result -- the level of the debt at the end of the prior fiscal year determines the starting point for the succeeding year's seasonal needs. Because the peak seasonal needs have not varied greatly from year to year, the sequence can almost be simplified to the point of adding the prior year's deficit to the prior year's debt limit to get the new year's debt limit. In other words, the deficit for fiscal 1966 added to the $328 billion limit for 1966 will closely approximate 1967's needs. This rough rule of thumb works well for fiscal 1967 and our more refined estimates produce virtually the same number as this guide.

As you know, the President in his Budget Message last January estimated fiscal 1966's deficit at $6.4 billion, based on revenue estimated at $100 billion and expenditures at $106.4 billion. Since then two changes have occurred in our revenues. First, a more timely payment of withheld income taxes is expected to add nearly $1 billion to June revenues. About 75,000 larger employers will be required to deposit withheld income taxes twice a month rather than once a month. A similar system will also apply on social security taxes. The first such payment is due on June 20, 1966 at about the time when payments are coming in under the old schedule covering a full month's liability. This one-shot doubling up will affect only 1966 revenues.

Secondly, the pace of collections on other taxes has also increased. Individual income taxes not withheld are running in excess of the amount we estimated last January. Apparently the marginal tax take from higher income has continued to rise, since income in calendar 1965, on which fiscal 1966 revenues are based, is unchanged since the January estimates were made. However, it is not unusual to have revisions in the prior year's income data, and a precise analysis of the reasons for the increase must await the availability of more data.

While a refined estimate of the improvement in revenue is not possible at this time, we are using $102.5 billion of revenues as our planning base. We may do somewhat better than this -- perhaps as much as one half billion dollars better -- but for present purposes I believe it is prudent to plan in terms of the $102.5 billion figure. On the expenditure side the Director of the Bureau of the Budget has advised me that within a $500 million range the $106.4 billion estimate of the January budget is still a good appraisal of the expenditure outlook for fiscal 1966. Consequently, putting the $102.5 billion of revenues and $106.4 billion of expenditures together, we are looking to a deficit of about $3.9 billion this year, an improvement of $2.5 billion over the January estimate.

The uncertainties of the future are more cloudy than is normal at this time. To the usual questions of Congressional actions on the President's budget requests, must be added not only the uncertainties of Vietnam costs, but also the uncertainties as to the pace and scale of our economic growth -- that is whether the rates of growth characterizing recent quarters will be maintained. These factors can have both expenditure and revenue consequences of sizeable magnitude. Weighing all the uncertainties and imponderables together, however, we would see no reason at this time to change the $1.8 billion deficit estimate for fiscal 1967, made last January.

On these estimates for fiscal years 1966 and 1967 and bearing in mind all the uncertainties, we have projected forward the public debt at mid-month and at month-end through fiscal 1967 shown in the attached table. The debt projections are in the same format as in previous debt limit hearings and assume a constant Treasury cash balance of $4 billion. On this basis the debt will rise to a seasonal peak of $328.7 billion on March 15, 1967. This prospective level of debt, rounded to $329 billion, and augmented by the usual $3 billion allowance for contingencies is the basis for our request for a new temporary debt limit of $332 billion to carry us through June 30, 1967. This request is for the minimum amount of authority that I believe is needed to operate the financial affairs of this Government in a prudent manner. I urge speedy approval and enactment of this needed increase.

ESTIMATED PUBLIC DEBT SUBJECT TO LIMITATION
(Based on constant minimum operating cash balance of $4.0 billion)

FISCAL YEAR 1967
(In billions)

	Operating Cash Balance (excluding free gold)	Public Debt Subject to Limitation	Allowance to Provide Flexibility in Financing and for Contingencies	Total Public Debt Limitation Required
1966				
June 30	$4.0	$313.3	$3.0	$316.3
July 15	4.0	316.6	3.0	319.6
July 31	4.0	316.8	3.0	319.8
August 15	4.0	318.4	3.0	321.4
August 31	4.0	320.3	3.0	323.3
September 15	4.0	323.4	3.0	326.4
September 30	4.0	318.1	3.0	321.1
October 15	4.0	321.9	3.0	324.9
October 31	4.0	322.2	3.0	325.2
November 15	4.0	324.4	3.0	327.4
November 30	4.0	324.6	3.0	327.6
December 15	4.0	327.8	3.0	330.8
December 31	4.0	323.0	3.0	326.0
1967				
January 15	4.0	325.3	3.0	328.3
January 31	4.0	324.1	3.0	327.1
February 15	4.0	325.2	3.0	328.2
February 28	4.0	324.7	3.0	327.7
March 15	4.0	328.7	3.0	331.7
March 31	4.0	323.5	3.0	326.5
April 15	4.0	327.5	3.0	330.5
April 30	4.0	318.6	3.0	321.6
May 15	4.0	319.8	3.0	322.8
May 31	4.0	320.4	3.0	323.4
June 15	4.0	324.7	3.0	327.7
June 30	4.0	314.9	3.0	317.9

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 23, 1966

FOR IMMEDIATE RELEASE

NEW RETIREMENT PLAN BOND INTEREST RATE

The Secretary of the Treasury announced today that the President has approved an increase in the interest rate on United States Retirement Plan Bonds to 4.15 percent per annum, compounded semiannually, effective June 1, 1966. Previously, these bonds earned interest at 3.75 percent.

The improved rate brings the interest on Retirement Plan Bonds in line with the recently increased rate on Series E and H Savings Bonds. However, unlike those bonds, the improvement does not apply to Retirement Plan Bonds already outstanding. It was explained that there is no statutory authority to extend the new rate to bonds issued earlier.

Retirement Plan Bonds, which were first placed on sale in 1963 pursuant to the Self-Employed Individuals Tax Retirement Act of 1962, are available for investment only by bond purchase plans and qualified pension and profit-sharing plans. They may be registered only in the names of self-employed persons or employees in single ownership form, or with a beneficiary. Purchases may be made at any Federal Reserve Bank or Branch, or the Office of the Treasurer of the United States, the only authorized issuing agents.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

May 23, 1966

FOR IMMEDIATE RELEASE

WITHHOLDING OF APPRAISEMENT ON FISHERY PRODUCTS

The Treasury Department is instructing customs officers to withhold appraisement of shrimps, lobster tails, and lobsters, fresh frozen or cooked frozen, from the U.S.S.R. pending a determination as to whether this merchandise is being sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. Notice to this effect is being published in the Federal Register. These products come within the purview of the "Antidumping Proceeding Notice" with regard to fishery products.

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

The information alleging that the merchandise under consideration was being sold at less than fair value within the meaning of the Antidumping Act was received in proper form on March 9, 1966. This information was the subject of an "Antidumping Proceeding Notice" which was published pursuant to section 14.6(d), Customs Regulations, in the Federal Register of April 19, 1966, on page 5975 thereof.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

May 24, 1966

MEMORANDUM FOR THE PRESS:

Patrick F. Gorman, III, Chief of the Reproduction Branch, Office of Administrative Services of the Treasury Department has been given a Meritorious Service Award "in recognition of his unusual personal contributions to the high performance of the Reproduction Branch."

Mr. Gorman, a Treasury employee for 25 years, has for the past 8 years served as chief of the Reproduction Branch.

A copy of the citation is attached.

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Attachment

CITATION

Meritorious Service Award

Patrick F. Gorman, III

Patrick F. Gorman, III, has performed his duties as Chief, Reproduction Branch, Office of Administrative Services, in a manner which reflects credit upon him, upon the Treasury Department, and upon the United States Government. His leadership and ingenuity have resulted in high quality reproduction work in the Office of the Secretary and the Treasury Department.

His devotion to duty evidenced by long hours of overtime work, when necessary, has made it possible for top Treasury officials to meet important and stringent deadlines at the White House and the Congress, as well as in other critical circumstances.

This Award is made in recognition of his unusual personal contributions to the high performance of the Reproduction Branch.

TREASURY DEPARTMENT

WASHINGTON, D.C.

R RELEASE 6:30 P.M.,
dnesday, May 25, 1966.

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

The Treasury Department announced that the tenders for $1,000,000,000, or thereouts, of 365-day Treasury bills to be dated May 31, 1966, and to mature May 31, 1967, ich were offered on May 18, were opened at the Federal Reserve Banks today.

The details of this issue are as follows:

Total applied for	- $2,012,664,000
Total accepted	- 1,001,188,000

(includes $38,158,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids:

High	- 94.986	Equivalent rate of discount approx.	4.945 %	per annum
Low	- 94.951	" " " " "	4.980 %	" "
Average	- 94.965	" " " " "	4.966 %	" " 1/

(23% of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 45,681,000	$ 15,681,000
New York	1,515,331,000	812,081,000
Philadelphia	13,382,000	3,382,000
Cleveland	42,796,000	36,621,000
Richmond	782,000	782,000
Atlanta	20,266,000	2,766,000
Chicago	240,813,000	90,733,000
St. Louis	10,868,000	2,368,000
Minneapolis	6,841,000	3,071,000
Kansas City	7,261,000	7,261,000
Dallas	11,612,000	1,612,000
San Francisco	97,031,000	24,830,000
TOTAL	$2,012,664,000	$1,001,188,000

This rate is on a bank discount basis. The equivalent coupon issue yield is 5.23%.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

May 25, 1966

FOR IMMEDIATE RELEASE

MINT FIXES CUTOFF DATE FOR ORDERS OF 1965 SPECIAL MINT SETS

Miss Eva Adams, Director of the Mint, announced today a future cutoff for ordering United States Special Mint Sets. The Mint will stop taking orders for these sets on June 15, 1966, or sooner without further notice, depending on the number of orders received after today and the ability of the Mint to fill them.

Special coin sets are specially minted for coin collectors at the United States Mint facilities in San Francisco, and sell for $4.00. The coins are struck one at a time from specially prepared blanks, on high tonnage presses, and handled individually after striking. They have a sharper relief and are better in appearance than regular coins. The new sets contain one each of the half dollar, quarter, dime, nickel, and cent, and all coins bear the 1965 date imprint. They do not carry mintmarks.

Persons desiring to order special coin sets are requested not to send cash, but to send a personal check, a money order or cashier's check made payable to the Officer in Charge, U.S. Assay Office, Numismatic Service, 350 Duboce Avenue, San Francisco, California 94102.

The United States Assay Office at San Francisco began last week to mail the 1965 sets to coin collectors who ordered them earlier this year. They are being sent by first-class registered mail, under special arrangements made for the first time this year with the United States Post Office.

F-489

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TREASURY DEPARTMENT
Washington

FOR USE IN AFTERNOON PAPERS
FRIDAY, MAY 27, 1966

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY OF THE UNITED STATES
AT THE
13TH ANNUAL MONETARY CONFERENCE OF THE
AMERICAN BANKERS ASSOCIATION
AT GRANADA, SPAIN
FRIDAY, MAY 27, 1966, AT 12:30 P.M.
(7:30 A.M., EDT)

1966 - Year of Decision and of Opportunity

For International Economic Cooperation

To conclude this four-day Thirteenth Annual Monetary Conference is a formidable challenge. By now every important fact or significant observation will have been voiced by one of the public officials or private citizens in attendance who collectively share, in large measure, the responsibility for the financial policies of the Free World.

The conference itself symbolizes recognition that our common objective of a viable international financial system nourishing economic growth, expanding trade, and promoting development cannot be achieved by nations working in isolation.

This objective can only be achieved by like-minded leaders of both governmental and private institutions foregoing narrow nationalism and seeking diligently an improved framework of international economic and financial cooperation.

In the thirteen years these conferences have been held, in the post-war period as a whole, the present system of Free World cooperation -- political, military, economic, and financial -- has served well. Productive resources and capabilities have been released for the benefit of all. Barriers to trade and communication have been lowered. Development of new nations, and of older, war-torn economies, has been nourished. The extremes of inflation, depression, or financial panic, characteristic of other post-war periods, have been averted.

The challenge for the future is to build on this system of Free World cooperation. It is vital to recognize its shortcomings and weaknesses and seek to correct them. In so doing, we must seek to preserve the system's elements of strength and flexibility.

Above all, we must be decisive and diligent in discharging our commitment to the principle that in seeking the good of all, we serve our own interests best. If we have learned any one great lesson from the immense tragedies that have marred the 20th Century, it is the lesson that we stand to gain the most individually, and to hold our individual gains most securely, when we follow policies that permit us to gain the most all together.

1966 - Year of Decision

Nineteen hundred and sixty-six is a year of decision in many important aspects of international financial and economic cooperation. We must go forward. To stand still is to lose momentum and cast our lot for inevitable retreat. Consequently, it is one of my chief purposes here today to remind my own countrymen and their colleagues in all the countries represented here that the ties that bind us, and upon occasion prevent us from doing precisely as we would like, are ties no more onerous than our common desire to preserve the benefits that flow from working together, and not at cross-purposes.

The security, the rapid economic growth, the social improvement that we have now enjoyed for so long, in so much of the world, are not given conditions that can be taken for granted. They are products of policies deliberately adopted, and carefully nurtured, with intent to produce security, growth, and progress on a world scale. Frustration of those policies can, and almost surely will, bring an end to the progress we have had, and shatter the security that has made that progress possible.

Let us look back for a moment at the effects of fragmenting the world by policies of excessive nationalism. I could choose from the sad history of the 20th Century many examples, each worse than the last until we arrive at the unprecedented tragedy of World War II. But the London Economic Conference stands out as a costly failure of many nations to establish, a generation ago, the kind of economic cooperation that we now realize serves us best.

The London Economic Conference was a part of its times, one of a long series of attempts to establish a form of international economic cooperation that we now take almost for granted. That attempt failed because of nationalistic efforts to insulate nations from the world economy.

The lesson of the London Economic Conference does not lie in determining who was guilty, or to what extent, of causing the Conference to fail. The lesson lies, rather, in the extent of the damage of such a failure, and, therefore, in how careful and forthcoming we should be to prevent a return to a pattern of failure.

Eleven years after the collapse of the London Economic Conference the representatives of 44 nations met at Bretton Woods in the United States to find ways to avoid such debacles in the future. Those who gathered at Bretton Woods wanted to find alternatives to the injurious exchange tactics and the trade restraints of the 1930s by which governments -- often at the expense of one another -- had sought vainly to maintain employment and uphold living standards within their own borders.

The alternative they conceived to this kind of cut-and-run, beggar-thy-neighbor world was a comprehensive structure that would institutionalize cooperation among nations in exchange policies, and make cooperation a way of life and an insurance of the peace.

One result was the International Monetary Fund. The Fund's objectives were -- and are -- the promotion of international monetary cooperation, the building of exchange rate stability, and the elimination of exchange rate restrictions, all as means of facilitating the expansion of international trade and of helping member countries to achieve and maintain high levels of production, employment, and income.

To pool resources for development assistance, the Bretton Woods conference also established the International Bank for Reconstruction and Development -- the World Bank. Its members were the same nations as made up the membership of the International Monetary Fund.

Out of these has grown what might be regarded as a world-wide system of economic stabilization and development. From the highly successful pattern of the World Bank's lending there have developed the Inter-American Development Bank, the International Finance Corporation, and the International Development Association. The year 1966 will mark the emergence of yet another important bank in this chain -- the Asian Development Bank.

The concept of creative international cooperation in monetary matters exemplified by the International Monetary Fund has been one of the most fruitful ideas of our times. The Fund's resources have been increased, the last time in 1965, as it has proved its value, and as the world economy has expanded.

In 1962, a special arrangement took shape among the principal capital-generating nations, as it became evident that the resources of the IMF might prove insufficient in the event of a threat to the stability of the world monetary system. To avoid a repetition of the situation of the 1930's, when a weakness here and a strain there were permitted to develop into a general rotting of the international monetary fabric, ten major industrial countries that are members of the IMF, subsequently associated with Switzerland through special arrangements, agreed among themselves to lend to the Fund, in case of need, amounts of their own currencies totalling $6.2 billion.

This "General Arrangements to Borrow" of the "Group of Ten" was originally made good for four years. It has now been agreed to extend it for a further four years. These arrangements, and others stemming from the same spirit of cooperation, have served fully, beneficially, and in good season in helping the currencies of several major financial powers over periods of strain. The result is a world monetary system that is stronger than ever, several national currencies that have been helped to renewed strength and stability, and a world that has been quickly and smoothly defended from dangers of convulsive economic restrictionism.

The return to external convertibility of many major Free World currencies in the late years of the 1950's brought with it the problem of dealing with highly volatile movements of capital among financial centers, stemming chiefly from speculative pressures. With the objective of providing means to meet such pressures firmly and promptly the United States, in cooperation with eleven other major industrial countries and the Bank for International Settlements established, beginning in 1962, a swap network of short-term facilities, now totalling $2.8 billion. We are pleased and proud that in recent months we have been able to make similar cooperative arrangements with two Latin American neighbors with whom we have close economic ties -- Mexico and Venezuela.

Many other such highly practical means for replacing cut-throat nationalistic policies with creative international cooperation that benefits all have been worked out and are in practice. One that I would mention particularly is the sale to foreign governments and central banks of U. S. government bonds. We must now look forward to further refinement, extension, and strengthening of our international monetary system.

As another outgrowth of the idea of international monetary cooperation, much more importance has been attached to consultation and collective problem solving, in the place of protective attempts to find the means of national insulation against problems of international scope. An example is Working Party Three, a specialized task force of the Organization for Economic Cooperation and Development. Working Party Three was established to try to find broader-than-national approaches to the solution of balance of payments problems.

All will agree that the system described is a vast improvement over the narrow economic and financial nationalism of the 1930's. It is a good system, and it has been getting better. If we maintain our recent progress in seeking out new elements of strength in it, and in moving to ever more adequate levels of international economic cooperation through it, I am confident that our gold exchange system -- with appropriate improvements to be discussed later -- can be depended upon to handle effectively the untold tasks of economic development, and improvement of living standards, that face us all internally, and face the world at large, as one of its topmost tasks.

There is an especial aspect of this story of progress in the decades just past that I hope I will be forgiven for recalling.

Large and as well-conceived as was the world monetary system that was brought into being after World War II, it was not adequate to the job of overcoming the effects of destruction that faced the world in the late 1940's and the 1950's. It could not even begin to function effectively until the vital European economic fabric was reconstructed.

The United States threw into the balance most of the extra resources that permitted fast European reconstruction. To this end, the United States reached into its own resources, and gave -- I emphasize this, gave without any expectation of recompense -- to Western Europe no less than $15 billion in the post-war relief and Marshall Plan years between 1946 and 1952.

Meanwhile, the United States provided for the common defense, almost alone, while nearly all other defenses were down.

These programs were initial steps along a road by which the United States has to date contributed some $80 billion of economic assistance to other nations.

But economic assistance was not all that was essential. As I have indicated, it was also necessary to raise a shield behind which free men could put their freedom to work.

Through military expenditures that between 1946 and 1966 have totalled no less than $790 billion, and that are currently costing new billions, the U. S. raised and has maintained such a shield.

To this must be added the cost we have incurred for which there is no adequate price -- the cost of over 165,000 American casualties suffered in helping to defend the Free World, outside our borders, since World War II ended.

Our participation in the defense of freedom has girdled the globe, from the fields and towns of Western Europe so closely kin to us, to the divided Middle East and Western Asia, and has now drawn us to the bitter jungles of Southeast Asia.

Where it was enough only to be present, we have taken a stand. Where it has been necessary to fight, we have fought. You can search all history without finding a more carefully measured and restrained use of power than the United States has made and still makes today. Yet, at the same time, you will find no world power more ready than we have been, and are, to move from the battlefield to the conference table.

By this world defense, we have defended our own integrity and freedom. Further, we have never been completely alone on the ramparts. Some have fought by our side, and many others have kept vigil with us.

The United States has used its economic strength in yet another way of creative benefit to the entire world in the past two decades. The United States has alone continued the free convertibility of officially held balances of its currency for gold, at a fixed price: $35 an ounce. Thus, we have permitted the dollar to undertake the responsibility of becoming the world's principal reserve and transactions currency, a store of value in terms of gold, and at the same time a measuring rod for the value of gold. The dollar is thus the bedrock of the world monetary system, whether reserves are held in gold or currency. It is a primary element of stability in the savings of business, of pension and retirement funds, and so on, down to the smallest savings of individuals.

This is a very heavy responsibility, one that prevents us from always doing just as we might like to do, for we are determined to continue to be as faithful to our pledge as we have been. In President Johnson's words, "The dollar must be as good as gold."

These contributions of the United States are not cited as a matter of pride, although, indeed, I am vastly proud to be able to say, as an American, that my country contributed in the greatest measure, in treasure and human effort, to the establishment of a workable framework for international cooperation.

I am, rather, citing a few highlights of our individual effort because their spirit, motivation, and scale serve to give a measure of what must exemplify the role, not just of the United States, but of other nations individually as they regain or achieve strength and stature, and of our family of free nations altogether, if international economic and financial cooperation is to assume ever greater dimensions in the last half of this century.

I am not suggesting that a rule of unanimity must prevail and that every developed nation must embrace the tenets and practice of full collaboration or else we throw up our hands and retreat toward a world of narrow nationalism.

As in a free democratic society, so in a free democratic world, dissent plays an important role. But, of course, the preponderant majority should not be immobilized. Even that famous American exponent of state sovereignty, John C. Calhoun, recognized the right of a "concurrent majority" to move forward together without giving offense to a dissenting minority.

The United States holds fast to its early dreams of an alliance of equals, in strength and in responsibility, and to its zeal for the goal of the common good. We have welcomed the emergence of each nation to a position of power and wealth. We wish to share responsibility, not to hoard it.

We regard the year 1966 as a hinge upon which there can be a great turn for a better future, if the strong nations, old and emerging, seize their joint opportunities, and deal with problems, without being haunted by the past, confounded by the present, or over-awed by the future.

1966 - A Year of Opportunity

World Trade

Nineteen sixty-six is a year in which the 68 countries who are members of the General Agreement on Tariffs and Trade -- the GATT -- have an opportunity to negotiate reductions of tariff and non-tariff barriers to world trade to a point where they are no longer a stultifying factor in the international economy. This would be accomplished if the present GATT negotiations should take relatively full advantage of the authority granted to the President in the United States Trade Expansion Act to agree to reciprocal reductions of trade restraints.

The reciprocal reduction of most tariffs by significant amounts up to half, and removal of non-tariff barriers, as permitted by the Trade Expansion Act, would mean that we had placed at the base of our international system general acceptance of the idea that ours should be an open and a competitive world, exposing its prices and its wage rates and its returns to capital to international competition.

This is of particular importance now, when a failure to move toward a more competitive world is liable to lead to a series of blocs behind trade barriers, rather than states behind trade barriers. And it is of special importance to those countires whose national economic programs subject market forces increasingly to the influence of the economic planner. Under these conditions national economic units become more and more dependent upon international competition for assurance that prevailing national prices, wage scales, profit returns and investment programs are realistic.

However, despite three years of effort we are still far from taking this long and significant step, and time grows short, because our Trade Expansion Act expires in 1967.

If the elements of a substantial agreement have not been achieved by the end of this year, so that authority granted under this Act can be utilized before it expires, this failure can trigger a substantial setback for the movement toward liberal trade in which my country has played a leading role for over thirty years. Failure to move forward can lead to a dangerous retreat.

There are difficult problems, of genuine concern, on all sides. We are conscious of the fact that major reductions in trade barriers will call upon all of us for important adjustments in our economies. However, if we look at the adjustments that will probably be required, it is evident that they in fact are no greater in most instances than adjustments that are regularly made to take account of changes in technology, tastes, trade patterns and the like.

World
Liquidity

The year 1966 is a year in which the Finance Ministers and Central Bank governors of the ten leading industrial nations can reach agreement on essential points of a contingency plan for the orderly creation of liquidity. This, in turn, will lay the foundation for wider negotiations within the framework of the International Monetary Fund of extraordinary importance to the future growth and prosperity of the entire Free World family of nations.

In recent years, United States dollar and gold outflows resulting from balance of payments deficits have supplied three quarters of new reserves of other countries. Clearly, the Free World cannot rely solely on newly mined gold for increases in reserves adequate to a vigorous, growing Free World economy. Just as clearly, the remarkable economic growth of the Free World since 1945 would not have been possible had it not been for the acceptance of large amounts of U.S. dollars as reserve assets. Therefore, when we set ourselves the task last year of reaching equilibrium in our international payments at an early time, it appeared evident to us that we and other nations should take timely steps to avoid harm to the international economic system stemming from the cessation of United States balance of payments deficits in turn desirable to avoid the attenuation of our reserves.

Consequently, President Johnson authorized me last July to announce that the United States stood prepared to participate in international negotiations to consider what steps we might jointly take with other nations to secure substantial improvements in international monetary arrangements. In the subsequent weeks I conferred with my colleagues in other governments on this matter, in Washington and in Europe, with the objectives of determining whether others shared our view that there was a clear and immediate need to proceed to contingency planning for improvement of the international monetary system, including provision for an adequate future supply of monetary reserves.

We found that there was, in fact, general agreement that there should be a re-examination of the Free World's monetary arrangements, and that we should plan ahead for the time when new ways of providing for the growth of monetary reserves would become necessary.

In September, the Group of Ten Ministers charged their Deputies with undertaking discussions leading to policy decisions as to what changes are needed to ensure that the future reserve needs of the world may be adequately met, and to report this Spring on the progress they had made and the areas of agreement they had discovered.

We are now awaiting that Report, and we hope that it will be possible to make it public this summer, as the basis upon which we can move to a Second Stage of negotiations in which members of the International Monetary Fund other than the Group of Ten can make their contributions.

Thus, it is apparent that in this area 1966 is a year of decision with very large and important consequences for the future of world economic growth, and that decisions are now pending that can add a new and hopeful dimension to the system we now have for international economic collaboration for a better world.

I look forward with confidence to the outcome. We should recall that the General Arrangements to Borrow negotiated in 1961 were put in place to meet future eventualities, and the need for their use did not develop for several years. But in 1964, and again last year, they proved invaluable. In the same spirit we feel that the time has now come to put into place the means that would be required to supply adequate amounts of international liquidity.

Strengthening the Adjustment Process

The year 1966 is one in which our international financial institutions should work together to strengthen and improve the processes by which balance of payments adjustments are made. We are hopeful that Working Party Three, of OECD, will be forthcoming with a report that will point the way through improved adjustment processes toward less -- and less chronic -- imbalance in the system.

Just as it would be improvident of us to negotiate the means to look toward a major expansion of world commerce and then fail to make provision for the future expansion of international reserves, it would be improvident of us not to follow through by recognizing that as trade and capital movements increase, the need for smoother adjustment of payments imbalances -- without resort to restrictive practices -- will become ever greater.

In an increasingly interdependent world, it becomes increasingly evident that adjustment to payments imbalances must be made on both sides of the scales. Just as deficit nations must be permitted to feel pressures that urge them to eliminate their deficits, surplus nations must not be permitted to hoard their surpluses indefinitely. Where surpluses are used only to purchase gold, the world's reserves are diminished. Instead, surpluses should be recycled to do the world's work, through more liberal trade policies, and through both public and private investment designed to assist economic development.

It should be recognized by all that failure by some to use persistent surpluses they accumulate to encourage trade and assist in development is a cause of persistent deficits in the payments of other countries. Balance of payments equilibrium should attain this broader, international, significance, as well as its present, one-sided national meaning.

Strengthening Capital Markets

Another of the challenges of 1966 lies in the opportunity to improve the depth and resiliency of capital markets throughout the Free World.

Many of you will recall that my predecessor, former Secretary Douglas Dillon, spoke to you on this very subject as early as 1962, at your Ninth International Monetary Conference, in Rome. This was well before we were impelled by the inadequacies of the European capital market to enact the Interest Equalization Tax and develop the voluntary programs to moderate increases in outflows of foreign direct investment and bank credit as measures of protection for our payments position.

He described in 1962 what is still very much the case:

> "Potential investment funds are still too often dammed up behind national boundaries by legal restrictions or institutional barriers . . .
>
> "Capital does not -- as it should -- flow freely from those with ample resources to the points of greatest need. Benefits and burdens often bear little relationship to current patterns of trade or to the underlying payments position of a country.

> "This is reflected in the fact that most governments or businesses, when raising funds outside their own country, still look to the United States as the only readily available source.
>
> "These conditions are an anomaly in a world of convertible currencies -- a world in which barriers to trade have been steadily reduced -- a world characterized by American deficits and European surpluses."

In the months and years following Secretary Dillon's comment it became increasingly clear that the disparities between the capital market of the United States and those of Europe are a major source of payments imbalance in the world. As one of ten elements in his July 1963 program to meet this situation, the late President Kennedy appointed a Task Force in the Fall of 1963 that I was privileged to head.

The Summary Recommendations of the Task Force included the following:

> "The Department of State and the Treasury Department should, through appropriate international bodies, particularly the OECD, advocate the step-by-step relaxation of monetary, legal, institutional, and administrative restrictions on capital movements, together with other actions designed to increase the breadth and efficiency of Free World capital markets."

Despite U.S. efforts in bilateral and multilateral councils to encourage it, the fact is that relatively little has been done on this score in the years intervening between Secretary Dillon's admonition in Rome in 1962 and the present. This has made doubly necessary our programs for moderating the flow of U. S. dollars to other developed countries through the voluntary programs on direct investment, and lending by financial institutions, initiated in February 1965.

Our balance of payments program itself is tending to cause improvement in the market for capital abroad. With the dollar outflow moderated, and with American corporations actively seeking funds abroad, this market is finding more depth and resilience than anyone thought it had. We look forward to a permanent improvement in foreign capital markets that in turn will reduce the need for measures on our part to guard against over-dependence upon our capital market.

We are hopeful that from the OECD there will be forthcoming this year a report on this subject of long term significance.

Nevertheless, differentials in performance and resources of capital markets persist that are so great that the very efficiency and depth of United States capital markets make for an outflow of dollars that is punishing to us in balance of payments terms.

It is time that this aspect of the international economic system as it now stands should be corrected, without delay, even if it requires some rather far reaching adjustments in the internal policies of nations.

Development
Assistance

During the year 1966, the provision of adequate levels of development assistance, on the right terms, bilaterally and through multilateral institutions, should be a first order of business in the Free World.

By the same token, 1966 is a year in which we should all work diligently to strengthen such Free World institutions as the World Bank and its affiliated International Development Association and the Inter-American Development Bank. We should also work together in abetting the admirable efforts of the nations of Asia in launching their own Asian Development Bank.

And, 1966 is a year in which the associated countries should take a new look at the Organization for Economic Cooperation and Development. After the passage of nearly five years of beginnings, it may well be that institutional changes and new working mandates are desirable to keep that organization in step with the conditions and opportunities for concerting efforts and policies of the developed nations in the fruitful field of economic and financial cooperation.

Strengthening both types of organizations is basic to international progress in the field of development assistance.

To provide adequate levels and terms of development assistance for the developing countries in ways that take into account the problems of the assisting countries, it will be necessary for the multilateral development banks, the OECD and the IMF to work together more effectively than they have in the past.

The obstacles to be overcome require coordinated action by these international institutions with each other and with the participating countries. And, better coordination of bilateral assistance is also needed.

New techniques such as the consortia and consultative groups sponsored by the World Bank are to be commended.

But they are not enough if the real problems of unlocking an adequate transfer of resources, without the creation of an intolerable burden of foreign debt in the recipient countries, and balance of payments difficulties among the developed countries, are to be overcome.

The needs for economic development assistance are immense.

Even if the monetary system of the developed world were functioning perfectly, it would be a challenging assignment to meet these needs.

With the system functioning imperfectly -- with key donor countries in deficit or in surplus -- we must be extrarodinarily ingenious if we are to come close to meeting these needs without further straining our system.

Some of us must provide aid at least in part in the form of real resources. Proper distribution of these responsibilities would help our adjustment processes, not hinder them.

Capital must flow out in reasonable magnitude and on reasonable terms from countries which are accumulating savings in the form of reserves. Otherwise the calls of our multilateral development finance institutions will go seriously unfulfilled, and deserving requirements of developing countries will not be met.

Some nations feel compelled to provide aid on harder terms than others. But does it make sense for surplus nations to provide it on harder terms than deficit nations? And does it make sense to pile short-term debt at high interest on developing countries with only limited capacity to repay?

We must find the ways and means of meeting the legitimate needs of developing countries which are doing what they can to help themselves. But we must distribute the burden in a manner which not only makes others strong but keeps all of us strong, too. For if the burden is unevenly or unfairly or unsoundly distributed, certain of us will become more powerful but as a group our strength will be sapped: our great multilateral endeavor will falter. This is the lesson both of the pre-war and post-war experience I have described here today.

I would suggest that the question of determining not only a practical and increasing level but the appropriate sharing of international economic assistance programs be placed high on the agenda for consideration at the forthcoming meetings this autumn of the World Bank and International Monetary Fund and the Organization for Economic Cooperation and Development.

The chief executives of the multilateral development banks, the IMF, the OECD and the Governors or Alternate Governors of the capital exporting countries should now organize themselves to prepare a plan for the next decade of development assistance. I emphasize that this plan should not be limited to a determination of how much is needed and where. It is equally necessary to search out methods and procedures for improving the terms and allocation of development assistance in the light of the realities of international finance.

Access to capital markets on an orderly and equitable quota basis, fair allocation of lending responsibilities on easy repayment terms, the right of pledging countries to fulfill obligations by a resort to tied loans or transfers of goods and services to satisfy these obligations when in balance of payments difficulties -- these are example of topics on which the advice, consolidated or cumulative, of the chief executives of the institutions for international financial cooperation and the responsible representatives of the assisting countries will be useful.

In his February 1 Message to Congress on Foreign Aid, President Johnson clearly stated the position of the United States saying:

> "I propose that the United States -- in ways consistent with its balance of payments policy -- increase its contributions to multi-lateral lending institutions, particularly the International Development Association. These increases will be conditional upon appropriate rises in contributions from other members. We are prepared immediately to support negotiations leading to agreements of this nature for submission to the Congress. We urge other advaneed nations to join us in supporting this work."

The progress of development aid should not depend solely upon the United States for stimulation and leadership. It needs organization and participation with full and equal responsibility of all developed countries interested in furthering international economic cooperation. These international bodies were created to provide that opportunity and serve that function.

The Multi-National Corporation - A Private Institution for International Cooperation

But let us never forget that public funds and initiatives cannot alone successfully accomplish sound and constructive economic development. Nor can governmental or quasi-governmental institutions alone do the job of international economic cooperation.

Consequently, we should not fail to encourage and strengthen our institutions that project the private sector into development work. Among these, a pillar of our international economy is the multi-national corporation.

We are able to see more clearly today than has always been possible in the past that the interdependence that is so much a part of our life is critically dependent for its good functioning upon non-governmental activities. In a large degree, our multi-national corporations are responsible for our international economic development.

These corporations have contributed substantially to the economic growth of the Free World since World War II, and it is difficult to overstate their importance to continued growth in the Free World economy -- particularly among the less developed nations.

In the future -- much more even than in the past -- their contribution, their role in a growing world economy, will depend critically upon how successfully we can reconcile national interests in both base and host countries with their own private interests.

This reconciliation will require give and take by the governing authorities of base and host countries. It will involve willingness in each country to oppose the substitution of narrow nationalism for freedom of investment, security of property and contract rights, and fair play to enterprises affiliated with foreign concerns. It will also require observance by private companies with foreign affiliations of the standards of good corporate citizenship that accommodate the national sensibilities.

My government has welcomed and ratified the multilateral Convention for the Settlement of Investment Disputes, sponsored by the World Bank as a limited but significant step in creating an institutional and environmental barrier between excessive nationalism and the multinational corporation.

The United States Balance of Payments

The year 1966 is one of challenge to the United States in making progress toward the achievement of an American goal that is of interest to other countries because it is a matter of considerable importance to the functioning of a continuingly successful system of international economic and financial cooperation.

I refer to our goal of achieving and maintaining a steady equilibrium in our international payments.

We recognize that the basic responsibility for doing this is ours.

We have no intention of shirking it.

Our balance of payments deficit this year stems in large part from the fact that the United States is continuing to meet its international responsibilities for military and economic assistance.

To the United States a commitment in the Pacific to defend self-determination in South Vietnam is similar to a commitment to help maintain a Free Berlin.

The international payments deficit of the United States in 1965 on an overall, or liquidity, basis was $1.3 billion, a reduction of more than one-half from $2.8 billion in 1964. This was the smallest deficit since 1957 -- less than half the $3 billion average deficit for the seven preceding years.

The voluntary cooperation of our banks and corporations in moderating outlays for lending and direct investment in developed nations, added to strenuous efforts to minimize the balance of payments costs of military and aid expenditures outside the United States contributed to this result. However, last August, reporting on the second quarter surplus (the first surplus quarter in many years) I warned:

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

Since that time, with the beginning of the large build-up of the direct and indirect costs of our military and aid operation in Southeast Asia, we have been no more than holding our own.

Adjusting the quarterly figures to take into account two specific arrangements with Canada and West Germany which function, in fact, on an annual basis, the deficits would be:

3rd quarter 1965	-$377 million
4th quarter 1965	-$361 million
1st quarter 1966	-$382 million

These suggest that for the last three quarters we have been on a plateau of about $1.5 billion annual rate deficit, slightly above the $1.3 billion deficit for 1965 as a whole, but still very substantially below the level of preceding years.

Careful analysis will support the proposition that, absent the Vietnam build-up, the United States might have moved substantially closer to equilibrium in the last three quarters.

Indeed, should the combination of measures, old and new, that are being brought to bear on our trade balance cause it to resume an upward curve, the march toward equilibrium could resume despite Vietnam.

Exports are well up this year, and in a broad range of non-agricultural products. On the import side, I am hopeful that as the rate of increase in gross national product slows -- and I think you will agree that it will not continue to increase at the same rate as in the first quarter -- and as new productive capacity comes on stream, the bulge in imports will subside.

Our goal is still the achievement of equilibrium -- sustained equilibrium. The multiple costs of Vietnam have made the tasks more difficult, to be sure, and it may be that we will have to settle for an interim objective of equilibrium exclusive of the costs of Vietnam.

Conclusion

It seems to me that the more important question today is not whether the United States will solve its payments problem but how it will do so.

The costs of Vietnam are not permanent or ordinary costs.

Our voluntary program, coupled with a degree of monetary restraint unparalleled in recent years, is working well. Our program to delimit the impact of government expenditures abroad on the balance of payments is being tightened in meaningful ways. Our recent trade performance, it is true, has been less buoyant than we had hoped but this is, in part, another manifestation of the Vietnam problem. Moreover, additional measures to encourage exports are underway. We are not ready to conclude that even in the face of Vietnam the halt of our march toward equilibrium is in any sense a fundamental or lasting one.

Against this background, how should the United States react beyond intensifying its existing program? Should we take the narrow, nationalistic view that in the interest of the United States, the United States' balance of payments must be brought into equilibrium no matter what the cost to the Free World?

Should we attempt to solve this problem through a reduction in our overseas military commitments?

Should we attempt to solve it by slashing our foreign economic assistance programs?

Should we attempt to solve it by reversing the entire trend of our trade policy and the world's trade policy?

Should we restrict travel?

Should we impose mandatory controls on capital flows?

Should we solve it, in short, at the expense of the other important, constructive decisions that remain to be made -- that must be made -- in international economic affairs in 1966? Should we solve it at the risk of unravelling the carefully woven fabric of international cooperation that has served us so well during the last 20 years?

We all know that the United States could, if it decided that it must do so, solve this problem alone, but it could do so only at great cost to the economies, the aspirations and, indeed, the safety of all the nations of the Free World.

Is this the direction in which we should move at the crossroads in 1966?

Other nations -- many of them represented here today -- have a vital interest not only in whether the United States solves its payments problem but in how we solve it.

We believe that we should and that we shall find the solution to this problem where we have found the solutions to so many other problems during the last 20 years. That is, we shall find it in a combination of measures which will be consistent with the responsible role of the United States as a good partner in international financial cooperation.

It is in that spirit that we invite all
of our allies and all of our other friends
to join us with renewed vigor in meeting
the challenges of 1966.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 1, 1966

FOR IMMEDIATE RELEASE

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders or two series of Treasury bills to the aggregate amount of 2,300,000,000, or thereabouts, for cash and in exchange for reasury bills maturing June 9, 1966, in the amount of 2,300,526,000, as follows:

91-day bills (to maturity date) to be issued June 9, 1966, n the amount of $1,300,000,000, or thereabouts, representing an dditional amount of bills dated March 10, 1966, and to ature September 8, 1966,originally issued in the amount of 1,000,305,000, the additional and original bills to be freely nterchangeable.

182-day bills, for $1,000,000,000, or thereabouts, to be dated une 9, 1966, and to mature December 8, 1966.

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

Tenders will be received at Federal Reserve Banks and Branches o to the closing hour, one-thirty p.m., Eastern Daylight Saving ime, Monday, June 6, 1966. Tenders will not be eceived at the Treasury Department, Washington. Each tender must e for an even multiple of $1,000, and in the case of competitive enders the price offered must be expressed on the basis of 100, ith not more than three decimals, e. g., 99.925. Fractions may not used. It is urged that tenders be made on the printed forms and orwarded 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 stomers provided the names of the customers are set forth in such nders. Others than banking institutions will not be permitted to bmit tenders except for their own account. Tenders will be received thout deposit from incorporated banks and trust companies and from sponsible and recognized dealers in investment securities. Tenders om others must be accompanied by payment of 2 percent of the face ount of Treasury bills applied for, unless the tenders are companied by an express guaranty of payment by an incorporated bank trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for each issue for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on June 9, 1966, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 9, 1966. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

May 27, 1966

FOR RELEASE A. M. PAPERS
WEDNESDAY, JUNE 1, 1966

TREASURY PUBLISHES BOOKLET ON EXCHANGE MARKET OPERATIONS IN DEFENSE OF DOLLAR

The Treasury Department today announced the publication of a booklet, "United States Official Operations in the Foreign Exchange and Gold Markets." It is a study of government activities of this nature which were resumed in 1961 for the first time since the 1930's, and on a more extensive scale than ever before.

Treasury Secretary Henry H. Fowler, in a foreword, explained the background against which these operations are conducted.

"In the 1960's," he said, "to help maintain the strength of the dollar in its role as the principal reserve currency . . . new means were devised to bolster the dollar's defenses.

"One of the most immediately effective measures taken was this: our government returned to its role as an active participant in the foreign exchange and gold markets, buying and selling all principal world currencies. That is what this booklet is about."

The booklet was written by Merlyn N. Trued, Assistant Secretary of the Treasury for International Affairs, under whose direction the Treasury's operations in this field are conducted. Prior to 1963, when he joined the Treasury, he was Assistant Vice President, Foreign Department, of the New York Federal Reserve Bank. In that capacity he actively engaged in the foreign exchange and gold market operations conducted by that institution in its capacity as agent for the Treasury and the Federal Reserve System.

(more)

Part I of the booklet opens with a discussion of why the government participates in these markets. This is followed by descriptions of the basic ground rules under which the market operates, the flow of foreign trade and the need for dealing in foreign currencies which, in effect, "make the market," and of the market's effects upon the domestic money market and consequently the Federal Reserve System's related responsibilities in this field.

Part II deals with the financial resources and instruments used to participate in the market, and the organization of the Treasury and Federal Reserve System under which actual operations are conducted. In this section, Mr. Trued describes the flow of information required to determine both policy and operational decisions, and how they are translated into action. This section also deals with the world gold markets and the establishment of the "gold pool" to discourage disruptive speculation.

Part III is concerned with the techniques of government participation in the market, and discusses conditions which prompt official intervention.

Throughout the booklet, the author has stressed the gains made in cooperation among the principal currency nations of the world toward damping undue speculative effects arising from a variety of economic and political causes.

Part IV, "Some Results of Participation," describes several of the critical periods in which U. S. official operations in the foreign exchange markets played a crucial role in the defense of the dollar, and, in cooperation with other nations, of other major currencies.

The first example deals with that period in 1961, when, against a sharp increase in the outflow of gold from the United States, the upward revaluation of the German Deutsche Mark set the stage for "the most concentrated and massive movement of funds across the foreign exchange since the chaos in the early 1930's." Other chapters deal with the crisis faced by the Italian lira in 1964 and British sterling in 1964 and early 1965.

The evolution of U. S. defensive arrangements -- among them the so-called "swaps," U. S. securities denominated in foreign currencies, and drawings from increased International Monetary

Fund resourses -- established a reinforced "line of defense," which safeguarded the dollar in times of stress which in previous years could have seriously hurt the dollar's value on the market and adversely affected U. S. reserves. These defenses held firm at the news of President Kennedy's assassination, and at other times of political or military stress, Mr. Trued points out.

In a final section, "Looking to the Future," the booklet again stresses the fact that the foreign exchange and gold market operations are"front line" measures in defense of the dollar, and should be viewed as a part of a wider program aimed at improving the U. S. position in its balance of payments. The total effort in this field, Mr. Trued says, is being made against a background of continuing cooperation in international monetary affairs.

Copies of "United States Official Operation in the Foreign Exchange and Gold Markets" may be obtained from the Superintendent of Documents at 40 cents each.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

May 26, 1966

FOR IMMEDIATE RELEASE

CEYLON ADDED TO COUNTRIES WHERE UNITED STATES CITIZENS MAY BUY LOCAL CURRENCY FROM UNITED STATES GOVERNMENT

The Department of State and the Treasury Department announced today that United States citizens visiting Ceylon may purchase that country's currency, the Ceylanese rupee, from the United States Embassy at Colombo. Sales will be made at the official rate of exchange.

This brings to six the number of countries where American travelers may purchase local currencies from officially owned United States balances. The United States has been selling Indian rupees and Israeli and Egyptian pounds to United States citizens in those countries for some time. The availability of Guinean francs and Tunisian dinars was announced May 20, 1966.

To reduce the outflow of dollars from the United States and thereby reduce the United States balance of payments deficit, the United States Government urges American tourists to purchase local currencies from United States holdings abroad in the countries where they are now available in this way. When local currencies are purchased in this way the dollars stay in American accounts, and there is no outflow of dollars to foreign holders, although the transactions take place abroad.

In the case of Ceylon, the local currency may be purchased at the United States Embassy at Colombo in exchange for United States currency, personal checks drawn on a bank in the United States or for United States travelers checks. Purchasers must present their passports for identification.

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BACKGROUND TO ANNOUNCEMENT OF LOCAL CURRENCY ARRANGEMENTS WITH CEYLON

Balances of the currency of Ceylon became available for sale to U. S. citizens when that country was added to the list of countries where official U. S. holdings of local currencies exceed the amounts required to meet the needs of the U. S. Government and where appropraite agreements were established. Currencies available in this way have been received by the United States from the sale of surplus agriculatural commodities.

The U. S. owns working balances in the local currencies of other countries in Western Europe, Latin America, Africa and the Far East. However, in most cases, these balances are not presently adequate to cover official U. S. expenses.

As further sales of U. S. agricultural products are made for foreign currencies, and as United States official requirements change, arrangements for additional sales of other currencies to private U. S. citizens will be negotiated where possible and advantageous.

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 27, 1966

FOR IMMEDIATE RELEASE

TREASURY DECISION ON WHOLE FROZEN EGGS UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that whole frozen eggs from the United Kingdom are not being, nor likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. This action is being taken after consideration of all comments received pursuant to a "Notice of Intent to Discontinue Investigation and to Make Determination That No Sales Exist Below Fair Value," as published in the Federal Register on April 16, 1966, stating that termination of sales with respect to whole frozen eggs imported from the United Kingdom was considered to be evidence that there are not, and are not likely to be, sales below fair value.

Customs officers are being instructed to proceed with the appraisement of this merchandise from the United Kingdom without regard to any question of dumping.

Imports of the involved merchandise received during the period under consideration were valued at approximately $1,150,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

R RELEASE 6:30 P.M.,
iday, May 27, 1966.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced that the tenders for two series of Treasury bills, e series to be an additional issue of the bills dated March 3, 1966, and the other ries to be dated June 2, 1966, which were offered on May 23, 1966, were opened at the deral Reserve Banks today. Tenders were invited for $1,300,000,000, or thereabouts, of -day bills and for $1,000,000,000, or thereabouts, of 182-day bills. The details of e two series are as follows:

NGE OF ACCEPTED MPETITIVE BIDS:	91-day Treasury bills maturing September 1, 1966		182-day Treasury bills maturing December 1, 1966	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	98.832	4.621%	97.561	4.824%
Low	98.823	4.656%	97.558	4.830%
Average	98.827	4.641% 1/	97.560	4.826% 1/

72% of the amount of 91-day bills bid for at the low price was accepted
35% of the amount of 182-day bills bid for at the low price was accepted

TAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 19,472,000	$ 9,472,000	$ 7,411,000	$ 4,411,000
New York	1,521,192,000	936,052,000	1,684,133,000	812,802,000
Philadelphia	26,206,000	14,206,000	21,742,000	4,792,000
Cleveland	21,707,000	21,707,000	25,329,000	13,999,000
Richmond	8,265,000	8,265,000	2,399,000	2,399,000
Atlanta	38,287,000	32,167,000	43,040,000	11,818,000
Chicago	245,654,000	124,926,000	235,955,000	75,155,000
St. Louis	40,643,000	32,363,000	24,231,000	10,544,000
Minneapolis	15,316,000	14,036,000	10,174,000	4,974,000
Kansas City	20,870,000	20,870,000	10,681,000	9,176,000
Dallas	20,931,000	13,651,000	10,782,000	5,732,000
San Francisco	114,437,000	72,357,000	126,928,000	45,338,000
TOTALS	$2,092,980,000	$1,300,072,000 a/	$2,202,805,000	$1,001,140,000 b/

Includes $206,031,000 noncompetitive tenders accepted at the average price of 98.827
Includes $108,851,000 noncompetitive tenders accepted at the average price of 97.560
These rates are on a bank discount basis. The equivalent coupon issue yields are 4.76% for the 91-day bills, and 5.02% for the 182-day bills.

STATEMENT OF FRED B. SMITH
GENERAL COUNSEL, DEPARTMENT OF THE TREASURY
BEFORE THE
SENATE FINANCE COMMITTEE
ON S. RES. 149
JUNE 2, 1966

Mr. Chairman and Members of the Committee:

I am happy to appear before the Committee to present the views of the Treasury Department on S. Res. 149, which would request the President to cause a study of imports of steel mill products to be undertaken by the Department of Commerce, utilizing other appropriate Federal agencies.

The Committee is hearing testimony from representatives of the Commerce and Labor Departments and I do not propose, therefore, to deal in my prepared statement with general factual information concerning the status of the U. S. steel industry or of employment in this industry. We are not experts in the Treasury on these subjects, which are not among our primary responsibilities, and on which I am sure that representatives of these other two Departments are much better qualified than I am to speak.

In the Treasury Department, we do have a major concern and responsibility for our balance of payments and we have the statutory responsibility for administering the antidumping statute. I propose to speak briefly on these two subjects as they relate to the proposed Resolution before the Committee. I should point out, as I am sure the Committee knows, that the Department of Commerce bears a heavy share of the responsibility in our balance of payments programs and has been charged with the administration of the President's voluntary program on U. S. direct investments abroad.

Before speaking briefly about the relationship of steel imports to our balance of payments and the application of the antidumping statute to steel imports, I should like first to make some general observations about the proposed Resolution. First is the question of the desirability and need for a study. Certainly we could not object to such a study if the Senate and representatives of other interested departments felt that there was a need for it. We have considerable doubt as to the need. We are under the impression that a great deal of information already exists on the current situation of the U. S. steel industry and on the trend of imports of steel and also that the relationship of our domestic and international programs to trade in this and other commodities is under continuous study. I cite, for example, the Report to the President on Steel Prices by the Council of Economic Advisers, issued in April 1965. This report contains a section on foreign competition in steel and its relation to our balance of payments (see pages 10-21). We believe the steel industry is fully aware of the necessity to improve its market position at home and abroad. It can certainly count on the cooperation of the Administration toward this end.

We note that authority already exists by law for the Tariff Commission to study the effects of foreign competition on domestic industry and, under the Trade Expansion Act, to investigate whether imports are causing or threaten to cause serious injury to a domestic industry producing like goods. It would appear that if there is a real need for a current study of the steel industry it could be undertaken without the necessity of passage of a Senate Resolution and we believe that this would be a better course to follow. I have in mind the interpretation both here and abroad which might be placed upon the passage of a resolution calling for a study, particularly if it were couched in terms such as those contained in the proposed Senate Resolution 149, which would focus attention on the effect of imports upon the domestic industry. It might be concluded that the purpose of such a study would be to establish a basis for restrictive action against steel imports. This could create difficulties for the conduct of our multilateral tariff negotiations now in process, or lead to the contemplation or initiation of counter-restrictions on the part of major foreign steel producing countries. Consequently, it is our view that, if there is truly a need for such a study, it might be undertaken by the Tariff Commission or other appropriate agencies of the Government without the necessity for the passage of a Senate resolution.

In any event, we feel that any study undertaken should be broader in its scope than the proposed Senate Resolution 149. While, as I said, we at the Treasury are not experts on the steel industry, it is our understanding that in any real assessment of the competitive position of the domestic industry, careful attention would need to be given to such matters as the efficiency and productivity of the domestic industry and prospects for improvement; the industry's pricing policies; the strength and vigor of its efforts to increase its export markets; the effect of reducing imports of steel on exports of machinery and other manufactured products; etc. Couching such a resolution in these broader terms would also soften somewhat its impact on those abroad who might be concerned lest it embody a preconceived conclusion that restrictive action against steel imports would be necessary.

The proposed resolution (Point No. 3) provides that particular attention should be given in the study to the impact of steel imports upon the maintenance of equilibrium in the balance of international payments of the U. S. and the effect of efforts of the Government to restrict the outflow of private capital upon the demand for steel products in foreign countries affected thereby (Point No. 4).

There can be no question but that there was a substantial increase in imports of steel mill products in 1965 and at the same time a significant decrease in exports. Imports increased by 57 per cent in that year to a $1.2 billion level accounting for some 10 per cent of the domestic market for such goods, while exports in that year fell by more than 18 per cent. A large part of the increase in imports in 1965 can be attributed to the threat of a steel strike which led to substantial stockpiling of steel by domestic users. Nevertheless, imports in the first four months of 1966 were at an annual rate of $900 million, still a very high level. It should be pointed out, however, that imports have been at high levels ever since 1959 when they were triggered by another steel strike. Also, these recent large imports have occurred in the context of a greatly expanding U. S. market.

Without question, there has been some deterioration, at least temporarily, in the competitive position of steel. It should be noted, however, that this large recent increase in steel imports has been occurring at a time when demand has been stretching capacity near to its limits, and unemployment is at a very low level. Increases in imports are to be expected under these conditions. Also, there are indications that the competitive position is beginning to improve as the large expenditures for plant modernization that have been undertaken begin to bear fruit, and as the foreign mills continue to experience more rapidly rising labor costs. We believe that an improvement in the competitive position of the U. S. steel industry will be dependent, essentially, not upon more restrictive action against steel imports, but upon the relative success of our efforts to hold down costs and prices in our domestic economy. It will also be dependent, significantly, upon the success of the steel industry's efforts to improve productivity and to make more vigorous efforts than heretofore to expand markets abroad.

With respect to points 3 and 4 of the proposed resolution, the Administration's overall program for dealing with the balance-of-payments problem includes, as one necessary and major element, a number of measures designed to exercise some restraint on foreign investment and other private capital outflows.

In the case of direct investments abroad, the Commerce voluntary program does not call for any reduction in the flow of such investments, but only a moderation of what had become an excessively rapid rate of growth in these outflows in relation to the overall balance of our international payments and receipts on other accounts. Specifically, the target under the program allows for an increase during the two years 1965 and 1966 together -- in new outflows of direct investment capital plus reinvestment of retained subsidiary earnings -- to an average annual rate 35% higher than the 1962-1964 average. In 1965, the absolute increase in direct investment outflows above the 1964 level amounted to $900 million.

In the case of bank credits to foreigners, the Federal Reserve guidelines for voluntary restraint, combined with increasing tightness in the domestic banking situation, have resulted in sharp reduction in previous very high outflows of such credit. However:

> the banks have been urged, within their overall target ceilings, to give priority to export credits, as well as to credits to less developed areas;
>
> these target ceilings allow for a 9% increase by the end of 1966 over the end-1964 level of outstanding bank claims on foreigners; and
>
> the banks were, as of end-March, 1966, actually $713 million below the target ceiling effective on that date -- thus still having considerable leeway, as far as any balance-of-payments restraints go, for additional foreign lending.

The Interest Equalization Tax, similarly, has brought about a substantial net reduction, compared with previous unusually high levels, in American portfolio investment in governmental or corporate securities of developed foreign countries other than Canada. However, this tax does not apply to direct investments or other credits in less developed countries.

Accordingly, we can see no basis for concluding that these balance-of-payments measures to achieve a limited restraint on otherwise excessive outflows of U. S. private capital have had any significant adverse effect on the continued growth of U. S. exports generally or on U. S. exports of steel mill products in particular.

The most basic and important single element in our balance-of-payments program, of course, has been and clearly must continue to be the further strengthening of our commodity trade balance -- through continuing and accelerated growth in our export sales, combined with continued competitiveness of U. S. products relative to imports within our domestic market. The key factors we must look to for success in this vital area are:

constant improvement in the overall productivity of U. S. industry; and

continued maintenance of general cost and price stability in our domestic economy.

While such an approach cannot, of course, assure gains or even forestall set-backs in the foreign trade balance of any particular U. S. industry or on particular categories or types of products, this must, nevertheless, continue to be the basic focus of our balance-of-payments effort.

Turning next to the question of dumping, S. Res. 149 refers to "the possibility of unfair, below-cost pricing of steel mill product imports to the United States." We have found that when they believe such imports have taken place, members of the domestic steel industry are alert to file complaints under the Antidumping Act.

The Antidumping Act comes into effect when a foreign producer sells to the United States at a lower price than he sells in his own country and when these sales to the United States injure our domestic industry. If both elements are present -- price discrimination and injury -- domestic industry is given relief by imposition of a dumping duty equal to the difference between the higher home market price in the country of export and the lower price to the United States.

To use a simple example, let us suppose that a particular steel product is sold by a foreign producer in his home market at $100 a unit and sold to a United States importer at $95 a unit. This is price discrimination. If the sales injure United States industry, then a special dumping duty is assessed in the amount of $5 a unit.

The price comparison is typically made on an ex factory basis, and this is without consideration of ordinary import duties or transportation. Thus, in the example I have given, if the ordinary import duty was $3 and the transportation was $2, the import would cost the importer $100. But the sale to the United States would nonetheless involve price discrimination within the meaning of the Antidumping Act, and if domestic industry was found to be injured, dumping duties would be assessed at the rate of $5 a unit.

Relief can be given to domestic industry not only by imposition of dumping duties following a finding of dumping but also by prompt revision of price (or its equivalent, discontinuance of imports). In this latter event the cases are closed out forthwith. The same result follows when a complaint is withdrawn.

Whether there is price discrimination in a dumping case is decided by the Treasury Department. Whether there is injury is decided by the United States Tariff Commission.

Twenty-five dumping cases involving steel products have been processed in recent years, with the following results:

Closed because of price revision and/or complaint withdrawn	11
Finding of dumping	2
Price discrimination found but no injury ...	4
No price discrimination	8
	25

Thus, in 13 out of 25 cases the relief sought by the domestic complainant has been afforded under the procedures of the Antidumping Act.

Steel companies were among those represented at a hearing conducted by the Treasury Department some two years ago to consider amendments to the regulations under the Antidumping Act. Following that hearing amendments were promulgated, effective January 3, 1965, which included a number of measures in which the steel companies had expressed an interest. Among them I would like to mention three.

1. Whereas up to this time a request either by an importer or a complainant that any particular submission be treated as confidential was respected without question, the new procedure provides that where Treasury officials see no reason for confidentiality, the submitter will be given the choice of withdrawing his request for confidentiality or of accepting the principle that the information, though remaining undisclosed, will not be used to support his position in the case at hand.

2. Provision is made for confrontation of the importer and the complainant.

3. Whereas up to this time any quantity discount was allowed which was shown to be freely offered, the new procedure provides that the importer must show any discount claimed on the sales to the United States to have been allowed also on at least 20 per cent of home market sales in the country of export; otherwise the discount must be cost-justified.

Two cases involving steel products are presently pending, one before the Tariff Commission and the other before Treasury. No complaints as to steel have been received so far this calendar year, and overall only eight dumping cases with respect to products other than steel have been instituted. Some commentators have attributed this inaction to general world prosperity, others to absence of dumping. On this point, I express no opinion; I do say that any serious complaint which may be filed will receive our full and cooperative attention.

TREASURY DEPARTMENT

WASHINGTON, D.C.

OR RELEASE 6:30 P.M.,
riday, May 27, 1966.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced that the tenders for two series of Treasury bills, ne series to be an additional issue of the bills dated March 3, 1966, and the other eries to be dated June 2, 1966, which were offered on May 23, 1966, were opened at the ederal Reserve Banks today. Tenders were invited for $1,300,000,000, or thereabouts, of 1-day bills and for $1,000,000,000, or thereabouts, of 182-day bills. The details of he two series are as follows:

ANGE OF ACCEPTED OMPETITIVE BIDS:	91-day Treasury bills maturing September 1, 1966		182-day Treasury bills maturing December 1, 1966	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	98.832	4.621%	97.561	4.824%
Low	98.823	4.656%	97.558	4.830%
Average	98.827	4.641% 1/	97.560	4.826% 1/

72% of the amount of 91-day bills bid for at the low price was accepted
35% of the amount of 182-day bills bid for at the low price was accepted

OTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 19,472,000	$ 9,472,000	$ 7,411,000	$ 4,411,000
New York	1,521,192,000	936,052,000	1,684,133,000	812,802,000
Philadelphia	26,206,000	14,206,000	21,742,000	4,792,000
Cleveland	21,707,000	21,707,000	25,329,000	13,999,000
Richmond	8,265,000	8,265,000	2,399,000	2,399,000
Atlanta	38,287,000	32,167,000	43,040,000	11,818,000
Chicago	245,654,000	124,926,000	235,955,000	75,155,000
St. Louis	40,643,000	32,363,000	24,231,000	10,544,000
Minneapolis	15,316,000	14,036,000	10,174,000	4,974,000
Kansas City	20,870,000	20,870,000	10,681,000	9,176,000
Dallas	20,931,000	13,651,000	10,782,000	5,732,000
San Francisco	114,437,000	72,357,000	126,928,000	45,338,000
TOTALS	$2,092,980,000	$1,300,072,000 a/	$2,202,805,000	$1,001,140,000 b/

/ Includes $206,031,000 noncompetitive tenders accepted at the average price of 98.827
/ Includes $108,851,000 noncompetitive tenders accepted at the average price of 97.560
/ These rates are on a bank discount basis. The equivalent coupon issue yields are 4.76% for the 91-day bills, and 5.02% for the 182-day bills.

TREASURY DEPARTMENT

WASHINGTON, D.C.

June 3, 1966

FOR RELEASE P.M. NEWSPAPERS
SATURDAY, JUNE 4, 1966

TREASURY SAVINGS BONDS DIVISION ADDS NEW REGION

The Treasury Department today announced the establishment of a new region in the field organization of its U. S. Savings Bonds Division. The new unit to be known as Region 7 will comprise the States of Alabama, Florida, Georgia, Louisiana, Mississippi and Tennessee, with headquarters in New Orleans.

Raphael H. Morvant, who has been Louisiana State Director for Savings Bonds, today was appointed director of the new region, effective when the new region goes into operation next month.

Until now, the organization and activities of the Savings Bonds Division had been divided into six regions. The rearrangement of regional boundaries will allow more direct supervision and greater efficiency, by reducing time-and-travel demands on a limited field staff.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 3, 1966

FOR RELEASE A.M. NEWSPAPERS
SUNDAY, JUNE 5, 1966

REGIONAL CUSTOMS COMMISSIONERS AND PROGRAM ADVISERS APPOINTED FOR PORT OF NEW YORK

Assistant Secretary of the Treasury True Davis today announced the appointment of Michael Stramiello, Jr., the U.S. Appraiser of Merchandise at New York, as Regional Commissioner of Customs for the newly designated New York Customs Region II.

Mr. Davis also announced the following appointments:

David F. Cardoza to be Deputy Regional Commissioner;

Ferdinand Gallozzi to be Assistant Regional Commissioner (Administration);

Harry Frumess to be Assistant Regional Commissioner (Classification and Value);

William I. McCullough, Jr. to be Assistant Regional Commissioner (Inspection and Control).

At the same time, Mr. Davis named Joseph P. Kelly and John A. Vaccaro as program advisers who will serve as special assistants to the Regional Commissioner of Customs in New York. The program advisers will have the responsibility for the development of projects and programs in public affairs to keep travelers and trader's fully informed about Customs laws and procedures.

In addition, Mr. Davis announced the appointment of Frank H. Tuohy as Director of Audit in New York, with responsibility for the internal audit functions for the Boston, New York and Baltimore regions.

Mr. Kelly currently is Collector of Customs for the Port of New York. He was appointed in 1961 by the late President Kennedy.

Mr. Vaccaro, currently Surveyor of Customs for the Port of New York, has held that post since 1961. He also was appointed by President Kennedy.

Mr. Tuohy, currently Comptroller of Customs for the Port of New York, was appointed to that post by President Johnson in 1963.

Also announced was the appointment of Samuel Blecher, Solicitor for the Port of New York, as Regional Counsel for the New York Customs Region.

The appointments will become effective on June 6, 1966 with the activation of the New York Customs Region II, and are part of the President's Reorganization Plan No. 1 of 1965 which was sent to Congress in March 1965 and became effective on May 25, 1965.

The plan called for the elimination of 53 Customs positions throughout the U.S. which had previously been filled by Presidential appointment. The Reorganization Plan placed the 176-year-old Customs Service wholly on a career basis.

New York will be the ninth and last Customs region to be activated in accordance with a year-long timetable. Regions already established are Houston, Boston, Baltimore, Chicago, Miami, New Orleans, Los Angeles and San Francisco.

Regional headquarters will be housed at the New York Customhouse at Bowling Green in lower New York. The region will cover all Customs installations throughout the metropolitan area including the airports, piers, terminals, etc., as well as Albany, Newark and Perth Amboy.

The Bureau of Customs is an arm of the Treasury Department with its headquarters in Washington and approximately 400 points of entry throughout the U.S. It is headed by United States Commissioner of Customs Lester D. Johnson.

Total Customs revenues in 1965 accounted for more than $2 billion, about one-third of which were collected in the Port of New York. About 181 million persons and more than $19 billion in imports are processed through Customs annually.

Biographical sketches follow.

* * *

BIOGRAPHICAL SKETCH OF MICHAEL STRAMIELLO, JR.

Michael Stramiello, Jr., Regional Commissioner-designate, New York Customs Region II, was born in New York City on February 2, 1907. He received his BS degree at Colgate University, Hamilton, New York, in 1930, and his LL.B at St. John's Law School, Brooklyn, New York in 1933.

In 1927, 1928 and 1929 Mr. Stramiello played varsity football at Colgate College. In 1930, 1931 and 1932 he played professional football for the Brooklyn Dodgers Football Club, while he was attending law school. In 1937 he was football coach for the Newark Bears.

Mr. Stramiello entered the general practice of law in New York and was appointed trial attorney in the Law Department of the City of New York in 1934. After serving on the staff of the special prosecutor for Kings County, he was named Associate Counsel of the New York State Moreland Commission in 1939-1940. He was also an Assistant City Corporation Counsel and Special Attorney in the Department of Justice, Customs Division, in 1946-1948.

Mr. Stramiello was on active duty with the U.S. Naval Reserve from 1942 to 1946 and he holds the permanent rank of Commander, USNR. He is a member of the Standing Committee on Customs Law, American Bar Association, and the Committee of Ethics and Grievances of the Association of the Customs Bar.

Mr. Stramiello has been admitted to practice before the U.S. Supreme Court, the U.S. Court of Customs and Patent Appeals, the United States Customs Court, the United States District Court (Southern District of New York), and the Supreme Court of the State of New York.

In 1962 he was appointed U.S. Appraiser of Merchandise at New York by the late President Kennedy. Mr. and Mrs. Stramiello reside at 5 Tudor City Place, New York City.

* * *

BIOGRAPHICAL SKETCH OF DAVID F. CARDOZA

David F. Cardoza, Deputy Regional Commissioner-designate, New York Customs Region II, was born in Brooklyn, New York, August 9, 1914.

Mr. Cardoza entered the Customs Service in 1937 and has spent most of his career in the role of Customs agent and supervisor.

In 1945 Mr. Cardoza was assigned to port security duties in San Francisco. Between 1950 and 1954 he was stationed on the Canadian border as Customs Agent in Charge at Buffalo, New York. He was then transferred to New York City where he became Customs Agent in Charge of the Special Customs Narcotics Squad.

In 1960 Mr. Cardoza was named Assistant Supervising Customs Agent at New York and assisted in organizing a new force of Customs Port Investigators which was added to the Customs Agency Service at that time.

In July 1963 Mr. Cardoza was appointed Supervising Customs Agent at Miami, Florida, where he had supervision over Customs enforcement and investigative activities for the southeast region of the United States. He returned to New York in April 1964 as Supervising Customs Agent for the New York Region. In December 1965, Mr. Cardoza was appointed Assistant Collector of Customs for the Port of New York.

Mr. and Mrs. Cardoza reside at 14 Briarcliff Lane, Glen Cove, Long Island, New York.

* * *

BIOGRAPHICAL SKETCH OF FERDINAND GALLOZZI

Ferdinand Gallozzi, Assistant Regional Commissioner-designate (Administration), was born at Boston, Massachusetts, on January 29, 1910. He studied business law, office management, and other subjects at the City College of New York, Brooklyn College and Fordham University.

He entered the Customs Service in New York City as a messenger boy in the Collectors Law Division. In 1928 he was transferred as a clerk to the Marine Division, where he remained for 20 years. He became Deputy Collector (Monies and Acccunts Division) on December 31, 1958, and since February 1962 he has been Program Management Officer in New York. In this latter capacity he participated in the preparation of a number of surveys which resulted in savings and more efficient operations for the Customs Service. He also helped plan, organize and coordinate the work of the New York Customs District. In 1964 he received an award for superior work performance.

Mr. and Mrs. Gallozzi reside at 1752 E. 24th Street, Brooklyn, New York.

* * *

BIOGRAPHICAL SKETCH OF HARRY FRUMESS

Harry Frumess, Assistant Regional Commissioner-designate (Classification and Value), was born in New York City on February 18, 1913. He was educated at the College of the City of New York where he received a Bachelor of Business Administration degree in 1939.

Mr. Frumess started his career in the federal service with the Veterans Administration in 1936; transferring later to the U.S. Immigration and Naturalization Service. In 1940 he entered the Customs Service in the Port of New York as an Examiner's Aid.

From 1947 to 1956, Mr. Frumess served as an Examiner. He was promoted in 1956 to the position of Supervising Customs Examiner, and then to Assistant Appraiser. In 1962 he was named Chief Assistant Appraiser at New York with supervisory responsibility for the organization and management of all appraisement work handled by a staff of 675 commodity specialists. His work included the initiation of changes in appraisement procedures as well as administrative responsibility for the Office of the U.S. Appraiser of Merchandise.

Mr. Frumess served as a technical adviser to a Treasury Committee directed by Congress to study the importation of Swiss-made watches. He also served as a technical adviser to the Commissioner of Customs in a study of watch manufacturing in the Virgin Islands.

Mr. and Mrs. Frumess reside at 3155 Grand Concourse, Bronx, New York.

* * *

BIOGRAPHICAL SKETCH OF WILLIAM I. McCULLOUGH, JR.

William I. McCullough, Jr., Assistant Regional Commissioner-designate (Inspection and Control), was born at Quincy, Massachusetts, on December 3, 1925. He received his AB degree at Harvard in 1949, and his LL.B and LL.M at Georgetown University School of Law in Washington, D.C. He served with the U.S. Army in Europe from 1943 to 1946.

Mr. McCullough started his federal career in the Office of the Public Debt, Treasury Department, in 1949 as an administrative aide, later transferring to the Division of Loans and Currency.

He entered the Customs Service as a legal assistant in September 1954, rising through the ranks until his appointment in 1962 as head of the Marine Section of the Bureau of Customs in Washington. In 1964 he was transferred to the Office of the Collector of Customs, New York, as Supervisory Customs Marine Officer (Deputy Collector).

Mr. McCullough received the William A. Jump Memorial Foundation Meritorious Award for Exemplary Achievement in Public Administration in 1962. He is a member of the Federal Bar Association, the Propeller Club in New York and the Customs Lawyers Club.

Mr. and Mrs. McCullough reside at 259 Hillside Avenue, Livingston, New Jersey.

* * *

BIOGRAPHICAL SKETCH OF JOSEPH P. KELLY
(Program Adviser)

Joseph P. Kelly was born in New York City on January 6, 1896, and educated at the Rhodes Preparatory School and the City College of New York.

He was vice president and sales manager of the Frank L. Burns Coal Company from 1925 to 1930, and vice president of the Bradley-Mahoney Coal Corporation until 1954. He was appointed by Governor Averell Harriman as Commissioner of Motor Vehicles for the State of New York, serving from 1955 to 1959.

Mr. Kelly has served on the boards of numerous health and welfare organizations, including the Bronx Eye and Ear Hospital, and the Lavelle School for the Blind. He was on the local board of Selective Service from 1941 to 1959, and has served as Foreman of the Federal Grand Jury five times.

Mr. Kelly was appointed by President Kennedy as Collector of Customs of the Port of New York, New York, on July 5, 1961.

He resides at 3520 Perry Avenue, the Bronx, New York, New York.

* * *

BIOGRAPHICAL SKETCH OF JOHN A. VACCARO
(Program Adviser)

John A. Vaccaro was born in Sicily on May 12, 1900 and became a naturalized citizen of the United States in April 1924. He graduated from Fordham University Law School in 1928 and became associated in the practice of law with William V. Hagendorn, Vice-Dean of the Brooklyn Law School.

Mr. Vaccaro has been active in law practice in Yonkers for 31 years. He ran for Councilman in that city and was elected in 1949. He served during the first term as Democratic leader, was elected Councilman for two additional terms, and in 1952 became Vice-Mayor, Mr. Vaccaro is a past president of the Yonkers Lawyers Association, and served for five years as trustee of the White Plains Law Library Board by appointment of Governor Averell Harriman. He is presently a member of the Yonkers Charter Revision Committee by appointment of May Kristensen.

Mr. Vaccaro was appointed by President Kennedy as Surveyor of Customs, New York, on November 30, 1961.

He lives with his wife at 127 Hillcrest Avenue, Yonkers, New York.

* * *

BIOGRAPHICAL SKETCH OF FRANK H. TUOHY

Frank H. Tuohy was born September 26, 1912, at Jersey City, New Jersey, and was educated in New Jersey as well as in Army schools in Georgia, Kansas and Hawaii, and at the American Institute of Banking, New York City.

He was associated with the Bank of Yorktown, Yorktown, New York from 1928 to 1930; the Meadow Brook National Bank of New York City from 1931 to 1946, except for the period of military service; and the Industrial Bank of Commerce, New York City, where he was Assistant Treasurer.

He was on active duty with the U. S. Army from 1940 to 1946 and was discharged from the Army with the rank of Major.

Mr. Tuohy was appointed by President Kennedy as Comptroller of Customs, New York, on June 6, 1963.

He lives with his wife at 32 Henry Street, Jersey City, New Jersey.

* * *

BIOGRAPHICAL SKETCH OF SAMUEL BLECHER

Samuel Blecher, Regional Counsel-Designate for the New York Region, was born on September 25, 1910. He attended the College of the City of New York and the Brooklyn Law School of the Saint Lawrence University, from which he was graduated cum laude and obtained both a Bachelor's and a Master's degree in law. He was admitted to practice in New York in 1937.

Mr. Blecher has been continuously employed in the Customs Service of the Treasury Department since October 15, 1930. He has held legal positions of increasing responsibility and, since January 1958, has held the position of Solicitor for the Port of New York. Mr. and Mrs. Blecher and their family reside at 1015 Washington Avenue, Brooklyn, New York.

* * *

TREASURY DEPARTMENT

WASHINGTON. D.C.

RELEASE 6:30 P.M.,
lay, June 6, 1966.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced that the tenders for two series of Treasury bills, series to be an additional issue of the bills dated March 10, 1966, and the other ies to be dated June 9, 1966, which were offered on June 1, 1966, were opened at the eral Reserve Banks today. Tenders were invited for $1,300,000,000, or thereabouts, of lay bills and for $1,000,000,000, or thereabouts, of 182-day bills. The details of two series are as follows:

E OF ACCEPTED ETITIVE BIDS:	91-day Treasury bills maturing September 8, 1966		:	182-day Treasury bills maturing December 8, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	98.855	4.530%	:	97.614	4.720%
Low	98.836	4.605%	:	97.594	4.759%
Average	98.844	4.573% 1/	:	97.602	4.744% 1/

71% of the amount of 91-day bills bid for at the low price was accepted
70% 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:

strict	Applied For	Accepted	:	Applied For	Accepted
ston	$ 28,632,000	$ 18,632,000	:	$ 8,591,000	$ 8,591,000
w York	1,402,793,000	860,543,000	:	1,185,929,000	691,929,000
iladelphia	28,316,000	16,316,000	:	18,220,000	10,220,000
eveland	29,021,000	29,021,000	:	22,964,000	22,964,000
chmond	10,831,000	10,831,000	:	4,172,000	4,172,000
lanta	56,023,000	52,439,000	:	31,976,000	24,676,000
icago	177,196,000	137,387,000	:	201,811,000	126,211,000
. Louis	44,362,000	39,782,000	:	22,073,000	16,848,000
nneapolis	16,943,000	16,943,000	:	12,013,000	11,513,000
nsas City	23,329,000	23,329,000	:	12,588,000	12,438,000
llas	22,595,000	16,595,000	:	12,195,000	8,195,000
n Francisco	98,377,000	78,377,000	:	72,450,000	62,450,000
TOTALS	$1,938,418,000	$1,300,195,000 a/		$1,604,982,000	$1,000,207,000 b/

ncludes $246,108,000 noncompetitive tenders accepted at the average price of 98.844
ncludes $131,528,000 noncompetitive tenders accepted at the average price of 97.602
nese rates are on a bank discount basis. The equivalent coupon issue yields are .69% for the 91-day bills, and 4.93% for the 182-day bills.

TREASURY DEPARTMENT
Washington

FOR RELEASE: UPON DELIVERY

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AT THE
1966 COMMENCEMENT OF WESLEYAN UNIVERSITY
MIDDLETOWN, CONNECTICUT,
SUNDAY, JUNE 5, 1966, AT 6:00 P.M.

Here at this Wesleyan University commencement, it is peculiarly fitting to consider what, in our society, we should regard as the primary issue for a new generation of Americans.

As framed in the words of President Johnson last month at Princeton:

> "It has to do with the obligations of power in the world for a society that strives, despite its worst flaws, always to be just and humane."

May I suggest that education for public leadership is the first obligation of this well motivated power in this mid-twentieth century world of rising expectations, of unparalleled opportunity and of unlimited potential for disaster.

In 1820 Thomas Jefferson wrote to a friend:

> "I know of no safe depository of the ultimate power of the society but the people themselves; and if we think them not enlightened enough to exercise their control with a wholesome discretion, the remedy is not to take it from them, but to inform their discretion."

The basic question then is how do we "inform the discretion" of those from whom our public leadership is drawn -- how to assemble and train a ministry of the best talents.

For a country with lesser responsibilities the question might not be critical.

But upon Americans has fallen not only the responsibility for faithful pursuit of the American vision of a better society at the national level, but of world leadership. To discharge that leadership, uninvited but obligatory nonetheless, it is necessary that we have a strong and effective national government, one whose powers are validated even as they are limited, by a careful balance of restraints such as those set forth in our Constitution.

It is also necessary, especially in a rapidly urbanized setting, that we have viable and capable state and local governments. All must be based on a private sector that works with and is in turn sustained by the public sector.

You and I -- like all succeeding generations of Americans -- share the task of trying to interpret and attain for our times the dreams and ideals that are America and are ourselves -- the task, in a very real sense, of discovering America anew and, in so doing, to discover ourselves.

Today, and in the years ahead, the achievement of that task will require of all Americans, whatever their personal concerns and private pursuits, a very real and deep involvement in the public life and public affairs of this nation, both at home and abroad. For both the nation and the world have grown too small -- and the stakes have become too high -- to allow any of us to live for very long in easy and unconcerned isolation. A bomb that explodes in Watts or Saigon shatters windows in Washington and Wesleyan as well. Problems we could once ignore -- issues and events that once could have been safely confined to one city, or one region, or one country - now involve us all because they now affect us all.

And, inevitably, they involve all the institutions that represent our public interest and express our public will -- primarily our institutions of government at all levels, in our cities and communities, in our states, and on the national level. For as public problems have grown, so has public power -- and for a new generation of Americans there is no more important and imposing challenge than the prudent, intelligent and creative use of public power in furthering our constant quest for the kind of society here at home and the kind of world at large in which men can best live a full and free life.

To meet that challenge will require that we engage our ablest and most imaginative minds at all levels of public service -- in elective office, in the key appointive posts and in the career administrative service. To meet that challenge will require that our colleges and universities, our secondary educational system, our parents -- our leaders in public and private life -- that we all ask ourselves whether we are doing all we can to assure that we have available for public service a suffucient number of our ablest and best trained citizens.

In his address last month to the Woodrow Wilson School of Public and International Affairs, President Johnson turned publicly to a son of Wesleyan for a partial answer, saying:

> "I have asked Chairman John Macy of the Civil Service Commission to head a task force which will survey Federal programs for career advancement. I have asked him to study an expanded program of graduate training which, with the help of the universities, can enlarge our efforts to develop the talents and broaden the horizons of our career officers.
>
> "I also intend next year to recommend to Congress a program expanding opportunities for those who wish to train for the public service..."

Does this mean we are at last attempting to bring to public service in an organized way the special knowledge and training normally associated with the private professions, with business and with education itself?

Surely there could be no prospect more worthy of a continuing dialogue among teachers, students, public servants, and,indeed, all who would see a nation of greatness in centuries ahead live up to the inspiration of its founders and the promise of today.

We must engage in a new and concerted effort directed to education for public service -- an effort that must encompass training at the undergraduate level, the graduate school and other specialized training.

There is no better foundation for any career -- public, private or mixed -- than a solid liberal arts undergraduate education. In an age of specialization we too often forget the value of a broad range of knowledge and the ability to relate diverse disciplines. Nowhere is this breadth of knowledge more valuable than in the public service -- local, state, national, or international.

Because of government's responsibility for coordinating and relating many specialized fields -- law, economics, natural science, the social sciences, management, administration, to name but a few -- a broad liberal arts base is even more important for public service than for most private vocations.

Here at Wesleyan you have taken a major step toward educating yourselves for public service. Here you have had the opportunity to avoid a danger that is increasingly common -- the danger of losing sight of the big problems because one feels unqualified to think about the questions that cut across disciplines and specialities.

As John Gardner, the Secretary of Health, Education and Welfare, has said:

> "The best students are carefully schooled to avoid leadership responsibilities ... the academic world appears to be approaching a point at which everyone will want to educate the technical expert who advises the leader, or the intellectual who stands off and criticizes the leader, but no one will want to educate the leader himself."

Today's world of specialization and large scale organization calls increasingly for a new kind of leadership. Today's decision maker or leader must be capable of both practical action and technical expertise in several related areas. He must be a master of more than one complicated area of knowledge who can specialize without losing sight of the broader picture. This fact -- this critical manpower need -- will grow increasingly important in your lifetime -- not only in government but in business, science, education and the arts as well

Steps have been taken to meet this need in the private sector of our economy, where graduate training is becoming more the rule than the exception. But we are only beginning to face up to it in the public sector. Fortunately, graduate or specialized training in many fields not necessarily focused on public administration have an abundant carry-over value for public service. The trained lawyer, scientist, banker, economist, for example, finds that his specialized, training is a valuable asset in the public service.

But we are finding in public service that we can no longer rely on the haphazard carry-over of expertise from the specialized professions; we are turning to supplementary training for public servants.

In President Johnson's words:

> "Our concept of public service is changing to meet the demands of the hour. A new public servant has emerged. He may be a scholar who leaves his studies for the crucible of power in his state or national capital, or he may be the

young man or woman who chooses public service but
does not abandon at its doorstep techniques of
scholarship in the search for knowledge."

The last two decades have witnessed a variety of proposals to 'energize" the public service. Many have been implemented --primarily rograms for training after entering public service. Under the 1958 overnment Employees' Training Act, the Federal agencies and departments re increasingly utilizing the academic resources of universities and eveloping in-service and inter-agency programs and off-campus study enters. The Brookings Institution has pioneered exchange programs nder which business executives spend several weeks or months in overnment agencies and career government executives serve similar ours of duty in private enterprise.

For a number of years there has been talk of establishing a taff college or a Federal Executive Institute for the most promising igh-level civil servants. Its purpose would be to provide a continuing, ederally-financed educational institution for career officials whose xperience and performance indicate they are good investments. believe this approach to the centralized higher education of public ervants after employment is more practical and more desirable than a entralized training before employment at a Public Service Academy omparable to the French National School of Administration.

One of our great strengths as a nation is our diversity. Our ederal government must cover a range as great as the outside world. single institution for specialized training before employment in the ederal service simply could not, in my opinion, satisfy the demand.

Both the government and the private sector gain from our custom f drawing top-level public officials from outside sources, often ecalling the same individual several times. This custom has served r nation well in the past and continues to provide many on our best igh-level officials.

We should encourage more qualified men and women in private life interrupt their careers to serve in government consultant and dvisory position on a short-term basis.

The need and the opportunity for this cross-fertilization exist all levels of government -- not only the Federal. In fact, we should courage much more movement than currently exists between the Federal d the state and local levels.

I believe that as an alternative to the single academy approach to the training of potential public servants, we should encourage a more pluralistic approach: the development of a number of rigorous programs designed to meet the nation's primary needs in several broad but interrelated areas.

One such area -- that of political economy -- I would like to comment on in some detail because it serves to illustrate the need I have been describing.

In this age of large-scale government and increasing specialization we face a more urgent need than ever before for people capable of practical action in complicated areas requiring deep knowledge of both politics and economics. The Under Secretary of the Treasury, Joseph W. Barr, who was then the Chairman of the Federal Deposit Insurance Corporation, in 1964 voiced his concern over the lack of men trained in the field of "political economy." Mr. Barr proposed that a Financial Reserve Corps be created, and I believe that this merits further attention.

As an intellectual discipline, "political economy" reached its peak among the "laissez-faire" thinkers of the 19th Century. Given the complex and specialized nature of modern society it is not surprising, perhaps, that this academic discipline has died out. And I doubt if one can reasonably expect its resurgence on any grand scale, either in the world of business and banking or in the universities. Nevertheless, at high levels of decision-making in our society, and particularly in government, the need remains -- and it is in this area that a Financial Reserve Corps could make a unique contribution.

Today two tools are essential to any top level executive in government: a feel for public affairs and a sound knowledge of economics. There is not an area in government, domestic or international, in which economic and financial considerations do not play a major role. Consider the far-reaching field of program planning analysis, or cost-effectiveness, which has come into such prominence in recent years. Or reflect momentarily on the extent of this country's economic and financial relations with other nations, and the emergence since World War II of new international financial institutions and arrangements.

Recently I spent several days in Mexico City at the annual Inter-American Development Bank meetings. This organization is the financial arm of the Alliance for Progress. It has served as a model for other regional financial institutions in Africa and more recently in Asia. Clearly, the management of such institutions demands both sound economic knowledge and political skill.

After two world wars and with the emergence of new nations, the world's balance of power -- political and economic -- has changed. And in many cases there is a time lag between political and economic development. Many of our international tensions are manifestations of that lag. The technological revolution has shot ahead of existing political and economic systems. The economic demands of a highly industrialized and urbanized soceity are rapidly making ancient political patterns obsolete. But while our wants and material needs rush ahead, too often our society and political structures remain stubbornly implanted in a bygone era.

The international financial institutions confront this paradox daily. A vast river system in Asia lies unutilized because the political cooperation necessary to its development is not forthcoming. And yet that river is the potential source of an entire region's advancement from a medieval to a modern economy.

Thousands of Latin Americans live out their lives in poverty and disease because their homes are inaccessible -- isolated from the 20th century by lack of transportation and communication systems which we in the Northern Hemisphere take for granted.

The economic need for regional cooperation has raced ahead of the political sophistication necessary to meet that need. The world is only beginning to face this reality. It raises new areas of world leadership which will be wide open to the political economists of your generation.

International economics is not the only fertile field for political economists. Everyday the financial management of our own country involves political as well as economic decisions. Our Constitution provides that the legislature shall control the nation's purse strings; and, accordingly, all revenue bills originate in the House of Representatives. An Administration's economic policy is always subject to the will of Congress and is seldom enacted in the form proposed. There is perpetual interaction between economic theory and political possibility, advice and consent, policy-making and policy implementation.

The intricacy of international and domestic finance demands policy-makers with both specialized economic skill and a thorough understanding of the political milieu. As our national and international economic problems multiply; and the political milieu in which we are called upon to operate becomes increasingly complex, it seems unlikely that there will be enough leaders in the future unless the processes of recruitment and specialized training are intensified.

Government is not alone here either; business and the banking industry face similar problems as they expand their operations at home and overseas. We face a crucial lack of trained political economists, and it is this need that a Financial Reserve Corps would be designed to fill.

The question is how best to create such a Corps?

As visualized by Mr. Barr, the Corps, though set up on a permanent basis, would be created gradually through combined education and on-the-job training program. Participants would be expected to serve three or four years in government, either immediately after their academic training or later in life. In this way, over the years a reservoir of trained men would be built up which the government could draw upon to fill responsible positions in the economic and financial spheres.

As for candidates, certain attributes would seem to be essential. They should be well educated, relatively mature -- probably between ages 25-33 -- and have some idea about the general direction of their career. They might be drawn from a wide variety of sources, including government, banking and investment institutions, business, the legal professions, trade unions, foundations, and the universities. Their formal education might be equally diverse -- in economics, law, political science, mathematics and engineering, history, or philosophy. Above all, it would seem essential that candidates should show unusual capacity for creative thinking, as well as the ability to relate their ideas to complicated economic and financial data.

The program itself might be organized on a three-year basis, arranged in such a way that six months' intensive academic training would be followed by one year of practical experience in one of the departments or agencies of the Federal Government. Thus, in the three year period, participants would have two rounds of academic training and hold two responsible posts in Government. Assignments might be arranged in the Treasury Department, the Bureau of the Budget, the Council of Economic Advisers, the Federal Reserve, the State Department, the Pentagon, the Commerce Department, and the new Department of Housing and Urban Development and other selected agencies. To administer the program and select the candidates, a Presidential Commission might be appointed, comprised of a professional staff and leading private citizens, Congressional representatives, and high Government officials.

A Financial Reserve Corps would meet a specific and urgent need. However, its underlying principles could and should be applied to other specialized areas of government activity. The Financial Reserve Corps could serve as a prototype or model program.

This is but one of the approaches we should take in our quest for excellence in the public service: answering the need for top flight people in specific areas with special programs tailored to those needs. In terms of attracting potential talent to the public service, such programs would appeal to our most able and qualified college graduates by advertising the government's need or their abilities and by offering them challenging career pportunities. I bring the proposal to Wesleyan today for an bvious reason. You are now among our country's most able and ualified college graduates.

Whether or not your future includes formal government service, I would like to leave you with an awareness of the great challenges our nation faces and the manifold opportunities for leadership those challenges provide for you. I urge you to consider your responsibilities as citizens in light of these opportunities, and I hope that a goodly number of you will in the words of Plutarch, undertake "the service of the state as the proper business of an honest man."

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TREASURY DEPARTMENT

WASHINGTON, D.C.
June 6, 1966

FOR IMMEDIATE RELEASE

WILLIAM C. DECKER GETS TREASURY'S DISTINGUISHED SERVICE AWARD

Secretary of the Treasury Henry H. Fowler, today presented William C. Decker, of Corning, New York with the Treasury's Distinguished Service Award for his work in facilitating production of new dimes, quarters and half dollars to relieve a national coin shortage, under the Coinage Act of 1965.

Secretary Fowler announced Mr. Decker's appointment as a Special Consultant to the Secretary July 15, 1965, one day following passage of the Coinage Act by the House. The Senate had already approved the bill for silverless dimes and quarters and reduction of the silver content of half dollars from the traditional 90 percent to 40 percent. First production of the new coins began August 23, 1965, some 31 days after the Coinage Act became law. All three new coins are currently in circulation.

Mr. Decker, 65, is a production and supply expert who was formerly President, and Chairman of the Executive Committee, of Corning Glass Works.

In presenting Mr. Decker with the Treasury's Distinguished Service Award today, Secretary Fowler recalled that when he appointed him he said:

"Mr. Decker's advice is insurance for the swift and abundant production of the proposed new coinage worked out in advance by the Mint. He gives us added ability during the crucial initial phases to identify and overcome the problems that always arise, despite the best forward planning, when a new product is being made. He will consult with me and will counsel with Assistant Secretary of the Treasury Robert A. Wallace, Mint Director Eva Adams and others with responsibility for the operations of the Mint."

Mr. Decker was instrumental in negotiating beneficial contract prices and terms for new coinage material with private contractors, and in evaluating production capabilities of proposed contractors.

He helped negotiate 10 contracts to provide the Mint with metal strip suitable for coinage, involving production valued at approximately $66,465,520.

Since production of the new coins began last July 23, 2½ billion pieces have been produced.

The citation accompanying the award to Mr. Decker is attached.

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CITATION

Distinguished Service Award

William C. Decker

William C. Decker, at considerable personal sacrifice, worked tirelessly and with great skill in helping the Treasury Department meet and solve the problem of a serious coin shortage which existed throughout the Nation in 1965. Approval by the Congress of the establishment of coinage composed of new materials necessitated a rapid expansion of our coin production and the prompt negotiation of contracts with every available source of supply of the new material in the United States. As a principal member of the Treasury Department's negotiating team, Mr. Decker brought to bear his vast experience as an executive of a major United States corporation with the result that the Department was enabled to negotiate promptly, and at a minimum cost to the United States, contracts for the procurement of the essential materials for the new coinage. Since that time he has been of great help through inspections and as an adviser in insuring that the various contractors have performed in compliance with their undertakings, both as to promptness of delivery and quality of product. All this has resulted in a highly successful transition to the new coinage with a minimum of disruption to the United States economy. For these reasons, Mr. Decker is fully deserving of the Treasury's Distinguished Service Award.

TREASURY DEPARTMENT
Washington

STATEMENT BY THE HONORABLE JOSEPH W. BARR
UNDER SECRETARY OF THE TREASURY
BEFORE THE
COMMITTEE ON BANKING AND CURRENCY
HOUSE OF REPRESENTATIVES
TUESDAY, JUNE 7, 1966, 10:00 A.M.

Mr. Chairman and Members of the Committee:

In his testimony before this Committee on May 19, the Secretary of the Treasury reviewed recent developments with respect to competition for time and savings deposits.

In appearing before this Committee today, it is not my purpose to indicate a change in analysis or a change in the Treasury's position. The Secretary's position, which was essentially restated in his letter to the Chairman on June 2, 1966, stands. Indeed, against the background of statements made by many others since then, I believe his comments and his constructive suggestions remain sound and constructive. However, in light of subsequent testimony and proposals, I welcome this opportunity to make additional comments in this important area.

Without reviewing recent developments at any length, let me just note that savings and loan associations and mutual savings banks have encountered increased competition from commercial banks during the past few years. This competition has been intensified with recent interest rate increases and the December 1965 revision of Regulation Q.

Thus far in 1966 we have seen a substantial reduction in the inflow of savings into savings and loan associations and mutual savings banks. During the first four months of 1966 savings shares at S&L's increased by only $500 million compared with an increase of $1.9 billion during the similar period in 1965 and $2.8 billion in 1964. During the same period -- the first four months of 1966 -- there was a $500 million inflow into mutual savings banks compared with $1 billion in 1965 and $1.3 billion in 1964. An important factor in this smaller net inflow, apparently, is the outflow of volatile, rate-sensitive funds to commercial banks and into market instruments.

I should like to emphasize this point particularly, because it is important to keep in mind here that we are dealing with a matter of rate sensitivity and not one of weakened confidence in the soundness of our financial institutions. Savings and loan associations, for example, can count on substantial flows of repayments from existing mortgages, as well as access to Home Loan Bank borrowing to meet potential outflows of savings. We would certainly not regard large outflows with indifference, however, as they would tend to reduce new mortgage loans made by S&L's and hurt the homebuilding industry.

Turning to some specific proposals that have been offered, limitations on the use of large denomination negotiable CD's would take away a major source of funds for large banks. Such CD's are not competitive with S and L shares or mutual savings bank deposits to a significant degree. Placing restrictions on the use of negotiable CD's would, I believe, result in little, if any, benefit to S and L's, the mortgage market, or the homebuilding industry.

It is the smaller denomination CD, or savings certificate, that competes most closely with S and L shares or deposits in mutuals. Restrictions on terms that banks may offer on such CD's would tend to arrest the outflow of funds from S and L's to banks. With this in mind, the Secretary of the Treasury proposed that the Federal Reserve Board be given temporary authority to set a lower ceiling on the insured portion of time deposits. That proposal provides a sound basis for offering a lower interest rate on smaller denomination time deposits, since the lower rate would be limited to the riskless portion of the deposit.

Since the Secretary spoke to this Committee, others have suggested that a lower ceiling on the first $10,000 would not affect a sufficiently large proportion of volatile savings deposits. A case could be made for drawing the line at a higher level -- somewhere in the range of $25,000 to $100,000 -- and we would enter no objection to making the distinction somewhere in that range, although we did, and still do, see a logic in tying any lower rate to the insurance coverage.

Secretary Fowler strongly suggested a ceiling rate of 5 percent on smaller time accounts. Such a rate, we believe, would not necessitate a large rollback by many banks. Combined with recent action by the Federal Home Loan Bank

Board, it would diminish the tendency to shift funds from S and L's and mutuals into commercial banks, although it would not result in any reversal of shifts that already have occurred. A lower ceiling, say 4-1/2 percent, would penalize smaller savers, would place banks at a disadvantage compared with savings and loan associations in many parts of the country and would substantially increase the relative attractiveness of direct security purchases to individual investors. Such a rollback in the rate ceiling could have a substantial adverse effect on bank liquidity without affording a corresponding gain to S and L's.

I strongly believe that any ceiling placed on rates banks can pay on smaller CD's should be temporary and that legislation along these lines should expire after, say, one or two years so that Congress and the Administration can reappraise the situation. In the long run the public will benefit from competition among financial institutions and, consequently, it is important that we avoid permanently establishing anticompetitive rules governing the operation of financial institutions.

Viewed in perspective, the present situation reflects economic relationships that have developed in the recent past and may recur from time to time in the future. Monetary tightness and high short-term interest rates can be expected, at times, to pull funds away from savings institutions and the mortgage market. The current situation is complicated by the fact that restrictions on interest payments on bank time deposits were recently relaxed and this return to a more competitive situation will require some adjustments by savings and loan associations, including the loss of some rate-sensitive funds. It is this *temporary* adjustment that is our present concern. I believe it would be inappropriate to deal with such a temporary adjustment by imposing *permanent* restrictions on competition for time and savings deposits.

Several suggestions have been offered to this Committee regarding changes in reserve requirements. In his testimony, Secretary Fowler suggested the possibility of giving monetary authorities greater discretion in imposing reserve requirements on negotiable CD's that might exceed those on other time and savings deposits. Other, rather specific, proposals have been offered which would raise the level of reserve requirements on time deposits or on CD's. Implementation of such proposals could have important implications for the competitive relationship among financial institutions and the functioning of monetary policy. It would be desirable for action on any such proposals to be taken only in the light of the most careful and objective analysis. While I believe that there are fruitful opportunities for improving the techniques and tools at the command of the monetary authorities in this area, I do not believe that implementation of these proposals would provide any immediate benefit to savings and loan associations or to the homebuilding industry.

In concluding, I would like to commend the Chairman and this Committee for tackling a difficult subject and attempting to hear all sides of the several issues involved. While these hearings were prompted by some real problems, I would urge the Committee not to react to the problems at hand by creating still greater problems.

TREASURY DEPARTMENT

WASHINGTON, D.C.

June 8, 1966

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 $2,300,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing June 16,1966, in the amount of $2,301,473,000, as follows:

91-day bills (to maturity date) to be issued June 16, 1966, in the amount of $ 1,300,000,000, or thereabouts, representing an additional amount of bills dated March 17,1966, and to mature September 15,1966,originally issued in the amount of $1,002,243,000, the additional and original bills to be freely interchangeable.

182-day bills, for $1,000,000,000, or thereabouts, to be dated June 16,1966, and to mature December 15,1966.

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, June 13, 1966. 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 enders 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 orwarded 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 ustomers provided the names of the customers are set forth in such enders. Others than banking institutions will not be permitted to ubmit tenders except for their own account. Tenders will be received ithout deposit from incorporated banks and trust companies and from esponsible and recognized dealers in investment securities. Tenders rom others must be accompanied by payment of 2 percent of the face mount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank r trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for each issue for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on June 16, 1966, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 16, 1966. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, JUNE 9, 1966

F-502

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and milled wheat products authorized to be entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamation of April 13, 1942, and provided for in the Tariff Schedules of the United States, for the 12 months commencing May 29, 1965, as follows:

Country of Origin	Wheat		Milled wheat products	
	Established Quota	Imports May 29, 1965, May 28, 1966	Established Quota	Imports May 29, 1965, May 28, 1966
	(Bushels)	(Bushels)	(Pounds)	(Pounds)
Canada	795,000	-	3,815,000	3,815,000
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	-
United Kingdom	100	-	75,000	-
Australia	-	-	1,000	300
Germany	100	-	5,000	-
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	-
Argentina	2,000	-	14,000	-
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
anary Islands	-	-	1,000	-
umania	1,000	-	-	-
uatemala	100	-	-	-
razil	100	-	-	-
nion of Soviet Socialist Republics	100	-	-	-
elgium	100	-	-	-
ther foreign countries or areas	-	-	-	-
	800,000	-	4,000,000	3,815,300

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, JUNE 9, 1966

F-503

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and milled wheat products authorized to be entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamation of April 13, 1942, and provided for in the Tariff Schedules of the United States, for the 12 months commencing May 29, 1966, as follows:

Country of Origin	Wheat		Milled wheat products	
	Established Quota	Imports May 29, 1966, June 7, 1966	Established Quota	Imports May 29, 1966, June 7, 1966
	(Bushels)	(Bushels)	(Pounds)	(Pounds)
Canada	795,000	-	3,815,000	3,815,000
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	-
United Kingdom	100	-	75,000	-
Australia	-	-	1,000	-
Germany	100	-	5,000	-
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	-
Argentina	2,000	-	14,000	-
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
Other foreign countries or areas	-	-	-	-
	800,000	-	4,000,000	3,815,000

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, JUNE 9, 1966

F-504

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 - June 7, 1966

Country of Origin	Established Quota	Imports	Country of Origin	Established Quota	Imports
Egypt and Sudan............	783,816	-	Honduras....................	752	-
Peru.......................	247,952	181,062	Paraguay....................	871	-
India and Pakistan.........	2,003,483	-	Colombia....................	124	-
China......................	1,370,791	-	Iraq........................	195	-
Mexico.....................	8,883,259	1,542,372	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 - June 7, 1966

Staple Length	Allocation	Imports
1-3/8" or more	39,590,778	39,590,778
1-5/32" or more and under		

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 June 7, 1966	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1965 to June 7, 1966
United Kingdom............	4,323,457	55,129	1,441,152	55,129
Canada....................	239,690	28,760	-	-
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	11,765	25,443	-
Italy.....................	21,263	-	7,088	-
Other, including the U.S..	-	-	-	-
	5,482,509	95,654	1,599,886	55,129

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

TREASURY DEPARTMENT
Washington

MEDIATE RELEASE
IURSDAY, JUNE 9, 1966

F-505

The Bureau of Customs announced today preliminary figures on imports for nsumption of the following commodities from the beginning of the respective iota periods through May 28, 1966:

Commodity	Period and Quantity		Unit of Quantity	Imports as of May 28, 1966
riff-Rate Quotas:				
eam, fresh or sour	Calendar year	1,500,000	Gallon	798,473
ole Milk, fresh or sour ...	Calendar year	3,000,000	Gallon	-
ttle, 700 lbs. or more each (other than dairy cows) ...	Apr. 1, 1966 - June 30, 1966	120,000	Head	9,903
ttle, less than 200 lbs. each	12 mos. from April 1, 1966	200,000	Head	64,242
sh, fresh or frozen, filleted, etc., cod, haddock, iake, pollock, cusk, and osefish	Calendar year	23,591,432	Pound	Quota filled[1]
ia Fish	Calendar year	65,662,200	Pound	29,233,965
te or Irish potatoes:				
ertified seed	12 mos. from	114,000,000	Pound	81,187,391
ther	Sept. 15, 1965	45,000,000	Pound	28,810,731
ves, forks, and spoons ith stainless steel andles	Nov. 1, 1965 - Oct. 31, 1966	84,000,000	Pieces	Quota filled
skbrooms	Calendar year	1,380,000	Number	1,193,492
er brooms	Calendar year	2,460,000	Number	1,698,448

Imports for consumption at the quota rate are limited to 11,795,716 pounds during the first 6 months of the calendar year.

Commodity	Period and Quantity		Unit of Quantity	Imports as of May 28, 1966
Absolute Quotas:				
Butter substitutes containing over 45% of butterfat, and butter oil	Calendar year	1,200,000	Pound	Quota filled
Fibers of cotton processed but not spun	12 mos. from Sept. 11, 1965	1,000	Pound	
Peanuts, shelled or not shelled, blanched, or otherwise prepared or preserved (except peanut butter)	12 mos. from August 1, 1965	1,709,000	Pound	1,184,105[1]

[1] Imports as of June 7, 1966.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
THURSDAY, JUNE 9, 1966

F-506

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1966, to May 28, 1966, inclusive, of commodities under quotas established pursuant to the Philippine Trade Agreement Revision Act of 1955:

Commodity	Established Annual Quota Quantity	Unit of Quantity	Imports as of May 28, 1966
Buttons	510,000	Gross	174,475
Cigars	120,000,000	Number	4,042,890
Coconut oil	268,800,000	Pound	Quota filled
Cordage	6,000,000	Pound	3,945,722
Tobacco	3,900,000	Pound	1,509,213

TREASURY DEPARTMENT

WASHINGTON, D.C.
June 8, 1966

FOR IMMEDIATE RELEASE

UNITED STATES FOREIGN GOLD TRANSACTIONS IN 1966

The Treasury announced today that net sales of monetary gold by the United States to foreign holders during the first quarter of 1966 amounted to approximately $34 million.

Sales of gold to domestic users -- permitted for industrial and artistic purposes -- came to $34.3 million. This brought the total net outflow of gold from the gold stock of the United States in the first quarter of 1966 to $68.3 million.

The major transactions during the quarter, as shown in Table I,were the purchase of $100 million from Canada by the U. S. and the sale by the U. S. of $103 million to France.

Table II, attached, shows sales of gold by the United States during the first quarter of 1966 to other countries to enable them to pay the gold portion of their quota increases in the International Monetary Fund. Deposits of like amounts of gold were made by the IMF with the United States, to mitigate the effects upon the U. S. gold stock of the quota increases. Transactions of this nature in 1965 amounted to $34 million,bringing the total through the first quarter of 1966 to $165 million.

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Attachments

Table I

UNITED STATES NET MONETARY GOLD TRANSACTIONS WITH FOREIGN COUNTRIES AND INTERNATIONAL INSTITUTIONS

January 1, 1966 - March 31, 1966
(In millions of dollars at $35 per fine troy ounce)

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

	First Quarter*
Afghanistan	- 1.1
Brazil	- 1.0
Canada	+100.0
Ceylon	- 0.1
Colombia	+ 7.0
Costa Rica	- 0.1
Denmark	- 5.0
Dominican Republic	- 0.1
Egypt	- 1.1
France	-102.8
Ireland	- 0.4
Jamaica	- 1 0
Lebanon	- 10.8
Liberia	- 1.2
Nicaragua	- 1.0
Pakistan	- 0.2
Switzerland	+ 7.0
Syria	- 1.5
Turkey	- 0.5
United Kingdom	- 19.0
Uruguay	- 0.1
Yugoslavia	- 0.9
All Other	- 0.3
Total	- 34.0
Total U.S. gold outflow	- 68.3
(Including domestic transactions)	(- 34.3)

*Figures may not add due to rounding.

Table II

UNITED STATES MONETARY GOLD TRANSACTIONS WITH FOREIGN COUNTRIES MITIGATED THROUGH SPECIAL DEPOSITS BY THE IMF

(millions of U.S. $)

	First Quarter 1966
Jamaica	- 1.5
Korea	- 1.3
Dominican Republic	- 0.4
Sudan	- 3.0
Japan	-56.3
Honduras	- 1.0
Nicaragua	- 1.0
Vietnam	- 0.3
Iraq	- 4.0
Ivory Coast	- 0.2
Liberia	- 1.0
Syria	- 2.0
Denmark	- 8.3
Sweden	-18.7
Ethiopia	- 1.0
Haiti	- 0.2
Ceylon	- 4.0
Austria	-25.0
Congo (Leopoldville)	- 0.6
Somalia	- 0.9
Total	-130.7
IMF Deposit	+130.7

TREASURY DEPARTMENT

WASHINGTON, D.C.

June 9, 1966

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN MAY

During May 1966, 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 $298,779,000.00.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 9, 1966

FOR RELEASE A.M. NEWSPAPERS
FRIDAY, JUNE 10, 1966

TREASURY SECRETARY NAMES WILLIAM H. SMITH NEW DEPUTY COMMISSIONER OF INTERNAL REVENUE

Treasury Secretary Henry H. Fowler today announced the promotion of William H. Smith, now IRS Assistant Commissioner for Planning and Research, to be Deputy Commissioner of Internal Revenue.

Mr. Smith, 49, a long-time career civil service official, succeeds Bertrand M. Harding, who recently was named Deputy Director of the Office of Economic Opportunity.

As the principal deputy to Internal Revenue Service Commissioner Sheldon Cohen, Mr. Smith will have the responsibility for the direction of 60,000 employees in some 900 offices who are charged with administering the nation's tax laws and collecting some $120 billion in revenues annually.

Mr. Smith, who joined the Internal Revenue Service in 1958 as Director of the Systems Division, is a native of Brooklyn, New York, where he attended Alexander Hamilton High School and St. John's University. He received his B.S. Degree in Social Science in 1936 and an LL.B. in 1939 from St. John's University, and an LL.M. Degree in tax law from Georgetown University, Washington, D.C., in 1961. He is a member of the bar in New York State and the District of Columbia.

He entered Federal Government service in 1945 as an attorney ith the Office of Price Administration in Seattle, Washington. e transferred to the Veterans Administration the following year. uring 12 years with the Veterans Administration, Mr. Smith held a umber of management positions with that agency in Seattle; Phoenix, rizona; Baltimore, Maryland; Wilmington, Delaware, and in the VA's entral Office in Washington, D.C., where he was Area Field Director.

During World War II, Mr. Smith served five years in the U.S. Army, rising from Private to Major.

As Assistant Commissioner of Internal Revenue for Planning and Research since 1961, Mr. Smith headed a committee which developed a realignment of the IRS regional organization. He has received many commendations for his efforts to improve efficiency and economy in IRS operations -- including the highest IRS recognition -- the Commissioner's Award.

Mr.Smith is married to the former Janet Seelye of Seattle and they have four children. They reside at 1527 Longfellow Count in McLean, Virginia.

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TREASURY DEPARTMENT
Washington

FOR RELEASE A.M. NEWSPAPERS
FRIDAY, JUNE 10, 1966

REMARKS BY THE HONORABLE STANLEY S. SURREY
ASSISTANT SECRETARY OF THE TREASURY
BEFORE THE
CONFERENCE ON THE IMPACT OF COMPUTERS ON THE TAX PRACTICE
SPONSORED BY THE NATIONAL LAW CENTER
OF GEORGE WASHINGTON UNIVERSITY IN COOPERATION
WITH THE AMERICAN AND FEDERAL BAR ASSOCIATIONS
THE WASHINGTON HILTON HOTEL
JUNE 9, 1966
7:30 P.M., EST.

COMPUTER TECHNOLOGY AND FEDERAL TAX POLICY

In the literature on tax policy, there has been a line of thought which stresses what we might call a purely philosophical approach. Essentially, this approach holds that one recognizes good taxes by their conformity to certain general principles. The approach is summed up in the two commandments: "Taxes should be for revenue only" and "Taxes should be equitable and as neutral as possible in the sense of having as little distortion as possible on free market decisions."

I do not want to debate these two propositions on philosophical grounds. They clearly have an intellectual appeal, and they make life simple for the tax analyst. Obedience to these two prescriptions would largely make it unnecessary to explore empirical questions concerned with ascertaining and then evaluating the results of particular tax measures.

When the analyst is applying the principle of neutrality to a tax proposal, all he must do is ask whether or not it is intended to create incentives or disincentives for something. If the answer is "yes", then his conclusion is automatically against the proposal. He doesn't have to measure anything. He doesn't have to determine how much incentive or disincentive would result and what its effects would be.

Despite these attractions of the philosophical approach to tax policy and despite the applicability of these prescriptions in the large to our tax system, the overwhelming fact is that almost everyone wants to talk about the particulars of tax policy in terms of their effects. It is interesting that many people who pay lip service to the doctrine of "Taxes for revenue only" have no reluctance to advocate one tax provision because it encourages charity, another provision because it encourages home ownership, and so on.

Part of the reason for this functionalism in tax policy is based upon a consistent intellectual ground, namely, that at the high level at which taxes must be applied in the 1960's for revenue purposes, rigid neutrality is impossible. This high level of tax rates is bound to influence free-market decisions, and at the very least we must attempt to minimize any harmful effects of this tax structure.

In addition, the goals of a Great Society require a buoyant and growing economy to provide the resources needed to achieve our social objectives, and a tax system must contribute to the attainment of that economic health. Moreover, all the resources and tools of modern government must be constantly scanned to see which provide the most effective path to a particular goal, and a modern tax system must be available for use if that use is compelled by standards of efficiency and fairness in comparison with other tools.

Whatever the reasons for the need to assess a tax structure by its specific effects, it does make life very difficult for the tax analyst. This need makes the measurement of effect crucial. It becomes extremely important to provide a great amount of detailed economic analysis in order to evaluate tax policy decisions.

As one example, the constant task of estimating budget revenues becomes a much more sophisticated problem. Not only is it necessary to determine the size of the tax base but also it is important to provide quite detailed judgments as to how the tax base will change with different developments in the private economy. We talk not only about the expected level of revenues but also about the flexibility of the revenue system and what the revenue yield would be at a hypothetical full employment level.

Moreover, as we have become successful in bringing our economy to full employment, the demands on economic forecasting are greater. In a finely tuned economy, the choice between economic policies of restraint or stimulus largely turns on short-run forecasts. The economic forecaster can consider himself challenged by the thought that we can pinpoint a target on the moon, but we still have to expect errors of 15 percent or so in forecasts of the change in GNP.

In connection with proposed particular changes in the tax law, it becomes imperative to know how a change is likely to affect the distribution of income after tax, how efficiently the change will operate in achieving its objective, what effect the change is likely to have on private economic decisions, and what these effects imply as to the level of GNP. This analysis not only has to be applied to the specific tax proposal but also to a range of alternative solutions, both tax and nontax, in connection with each proposa. And after a change has been made in the tax law, all these questions must be answered again but this time in terms not of what will happen if the change is made but in terms of what did happen once the change was made.

Minor proposals as well as major proposals require a considerable amount of economic detective work to reach a judgment on what will be the effects of the proposal, and once the change is made what were the effects -- and the burdens of detection can be just as difficult in unraveling what actually happened as in the forecasting of what will happen.

The complexity and interdependence of a modern tax system place great demands on all who participate in tax legislation, but especially on those who must prepare and analyze the numbers. Yet, it is clear that the extent to which the tax system does its job of raising the necessary revenue for financing government programs, of providing fiscal stimulus or restraint, and of playing its role in the achievement of a Great Society -- all with as equitable a distribution of the tax burden as possible -- is highly dependent on the quality and often the speed with which tax proposals are analyzed.

To aid us in these complex tasks, the Treasury Department since 1963 has become increasingly reliant on high-speed digital computers for assistance in many areas of tax analysis. I would like to discuss some of the ways we have used these computers.

The Individual Income Tax Model

A significant Treasury activity in the are of tax analysis with computers has been the development of a model of the individual income tax. The idea was first proposed by Joseph Pechman of the Brookings Institution. The Treasury initiated the program during the Kennedy Administration and has continued its emphasis in the present Administration. A model was designed to investigate the effects of changes in the yield and distribution of the individual income tax, assuming simultaneous changes in a number of variables, such as income tax rates, exemptions, etc.

The model consists of two parts, a magnetic tape data file and a computer program. The file is a random stratified sample consisting of 100,000 income tax returns which can be blown up to yield results representatives of the universe of taxpayers for the year in which the sample was selected. The first two data files were drawn from 1960 and 1962 returns respectively. Currently a data file for 1964 returns is in preparation. A model for the corporation tax is also in preparation.

The computation of tax liability under the model involves an ordered sequence of mathematical operations. These operations consist in combining information from a given tax return in the input sample with a set of known constants, such as rate schedules, defined by the tax structure under consideration. A run of the model then consists in specifying two or more tax structures by assigning values to the relevant variables and sequentially computing the tax liability for each return under both plans. The results are then blown up to represent the entire population of taxpayers, and numerous comparisons between the effects of the two tax structures are made in some 300 pages of output tables.

The flexibility and speed of the computer in preparing revenue estimates are most appreciated by policymakers when they are involved in the current consideration of legislative proposals to alter the tax system. Thus, in the course of

Congressional consideration of the 1963-64 tax bill, Committee and Treasury requests to the analysts for further information on the effect of specific provisions or alternative proposals were very frequent. During the latter stages of the Committee sessions when the model first became operational, it was possible to provide comprehensive information early in the morning in response to requests made the previous afternoon.

As an example, at the time the repeal of the 4 percent dividend credit and the doubling of the dividend exclusion were being considered a number of people asserted that the result would be substantial tax increases for many individuals in spite of the reduction in tax rates. Although it could be shown from published data that this was generally untrue, a really convincing demonstration required more detailed information on dividends in relation to taxable income for various taxpayers than these data afforded. By making two runs of the income tax model with the tax structure of the 1954 Code, the Ways and Means Committee tax bill which repealed the dividend credit, and the Ways and Means Committee bill plus the dividend credit and smaller exclusions, it was possible to isolate the effect of the repeal of the dividend credit and the increase in the exclusion. We thus obtained a count of the very small number of taxpayers whose taxes would increase because of these changes, detailed information on the size of their income and tax increases, and information on their other characteristics.

Much the same thing took place during Congressional consideration of the recent Tax Adjustment Act of 1966. Several adjustments were discussed during the Committee sessions aimed at reducing overwithholding for taxpayers with large itemized deductions. We were able to estimate the number and characteristics of all taxpayers eligible for these proposals along with their revenue effects, usually by the next day. In making these estimates, we used two features of the computer program which have proved extremely useful in this type of analysis. One feature instructs the computer to limit the tax calculations to returns with designated characteristics, in this case the relevant characteristic being the absence of a declaration of estimated tax. The second program feature is the capability of using the relationship between two specified tax structures as a screening device for a third structure.

Specifically, the 1965 tax law was defined as the first structure, present law withholding as the second, and graduated withholding as the third. The tax for each return in the input sample was then computed under each of the first two structures, and the magnitude of the individual's final tax liability was compared with his withholding. The results of this comparison then gave us a three-way division: If the individual's withholding was less than his tax liability, he was underwithheld; if greater, then he was overwithhled. Equality was defined as having total withholding within plus or minus $10 of the final tax liability. Two runs were then set up: On the first only underwithheld returns were allowed through the computation under graduated withholding, and on the next only returns with overwithholding werė allowed to go through. We thus obtained, in addition to the aggregate results for all returns, information for what would happen under graduated withholding to individuals who were previously underwithheld and overwithheld and, by subtraction, what would happen to taxpayers who were previously within $10 of their tax liability. These data were supplied for a variety of income classes, both by number of taxpayers involved and amounts of overwithholding and underwithholding.

In connection with graduated withholding, an interesting problem arose that emphasizes the need for combining a good deal of ingenuity and human judgment along with computer results. We knew that some people had voluntarily increased their own withholding by claiming fewer exemptions for withholding than they were entitled to claim. We were able to make a reasonable estimate of this situation by computing a hypothetical withholding for the taxpayer on reported wages and salaries with the number of exemptions reported for computation of the actual tax liability and comparing this hypothetical figure with the actual reported withholding. Where this hypothetical withholding was sufficiently above actual withholding to indicate at least one or more unused exemptions, we then had to build into the analysis a judgment as to how this taxpayer would behave under a new graduated withholding system. Specifically, we assumed with certain exceptions that any taxpayer whose old withholding was greater than his withholding under the new tax graduated system, using all the exemptions to which he was entitled, would continue to make this voluntary adjustment for more withholding.

All of this illustrates some cautions regarding computer analysis: No matter how much data are at our command, because of the new vistas that are thereby disclosed there will always be the tantalizing numbers that are not available -- the more the analysts give us, the more we will rail at them for not knowing still more. In turn, we must be careful not to be lulled into a false security because of the quantity of numbers and the mixture of actual and apparent precision they offer. We must constantly seek to know all the assumptions that underlie the numbers and where to place the dividing lines between precision, indeed degrees of precision, and judgments, indeed degrees of judgments. A good computer program and analysis should also carry with it the materials for a careful cross-examination of the results.

To return to the computer technique described in the analysis of withholding, in general the effect of any major provision of the present tax structure can be found by using some variation of this technique of specifying one tax structure containing the provision and one without it. This procedure is useful both for provisions which have a substantial impact on the distribution of taxable income through the tax brackets, such as the $600 personal exemption, as well as for those with a small and disbursed impact, such as the deduction for casualty losses.

Using the model in this way, we have gained better insights into both the operation of the individual income tax as a whole and the effect of its component provisions. The use of the model is, of course, always limited by the information which is put on the tape data file. Our 1962 model did not use all of the tax return data, but the 1964 model will do so. Our 1962 model could not handle the retirement income credit with its intricate series of internal limitations. The complexity of this provision may still continue to stump our programmers -- just as it does many of the aged it is intended to benefit -- but we are working on it.

Basic Research

So far in this discussion of the model, I have emphasized research primarily concerned with changes in the tax law, but we are by no means limited to this form of research. The income tax model is also useful for a number of types of basic research.

One research task that can be performed with the income tax model is sensitivity analysis. The crucial variables involved in forecasting revenues under a given tax law are the level and distribution of income. The tax model, although representative of the sample year, may not be realistic for a future year. To deal with this problem, weights are applied to increase income levels from the sample year to the later year under examination. These weights are themselves developed, at least in part, by using the computer to fit trend equations to past data on the growth of income by components, the number of returns with standard or itemized deductions, and the number of single and joint returns. Many different sets of weights can be tested, each of which represents a different level and/or distribution of income, and the influences of each set on the output variables, such as taxable income, tax liability, etc., can be obtained.

This type of analysis will throw considerable light on the automatic response of the tax system to changes in income levels, or, as it is commonly called, the built-in flexibility of the tax system. Economists attach considerable importance to this characteristic of the system -- witness also the recent report of the Subcommittee on Fiscal Policy of the

Congressional Joint Economic Committee stressing this factor in connection with its discussion of the adaptation of the tax system to fiscal restraint or stimulus -- because this is one way in which government action is automatically adjusted to offset inflationary or deflationary tendencies in the economy. It is not possible, however, to find out enough about the flexibility characteristics of our tax system by simply looking at aggregate tax collections. We have to know more about the detailed characteristics of the tax system which can only be revealed by analytic tools, such as the income tax model.

A particularly interesting current application of the income tax model is the detective work on the precise reasons for our present large increases in tax revenues. At this point, we do not have any compilation of tax returns for the year 1965. We do have the data for tax collections on 1965 income tax liabilities in the aggregate, and we do have the estimates of personal income for 1965. These data indicate that we collected appreciably more revenue in 1966 on account of 1965 tax liabilities than we would have expected from the aggregate 1965 personal income and previous experience with the marginal tax rate applicable to increases in aggregate personal income (i.e., the amount of additional revenue resulting from that increase divided by the increase). The data indicate that while this marginal rate had remained relatively constant for many years through 1963 it rose significantly in 1964 and 1965. Actual revenues for fiscal year 1966, calendar year 1966, and fiscal year 1967 will thus be increased on this account over the January 1966 estimates. Since this particular increase is not per se caused by the increase in personal income tax which comes with a rising National Income (though, of course, the revenue will also increase for that reason and were so estimated in January 1966), but rather by a stronger effect of the tax system than the previous data indicated and the previous estimate assumed, the consequences for economic projections are much the same as if an explicit tax increase in the same amount had been effected.

Until a tabulation of 1965 tax returns is available, we are constrained to test alternative hypotheses about the precise reasons for this result. This is not an idle intellectual exercise because, as you well know, we have to be looking constantly at the question whether our present tax levels are adequate to deal with the economic conditions generated by the current levels of public and private expenditure. The tax model in this situation has proved useful in testing alternative hypotheses as to precisely what has happened and throwing light on what we may expect the present tax structure to produce in the future.

Another important area in which the individual income tax model plays a part is the investigation of horizontal tax equity. In a tax law which provides a variety of specialized deductions and a variety of different treatments for various types of income, it is relevant constantly to investigate what is the range of effective tax rates applicable to those individuals at a given level of total income. The model has proved quite useful in describing the range of rates under existing law and also describing how possible changes would affect this spread of rates.

An interesting application of a similar model, by Dr. Michael Taussig then at MIT, that used the same sample of tax returns as an input was a cross-section analysis aimed at explaining the amount of charitable contributions of each taxpayer in terms of the other characteristics of the taxpayer that were reflected on the tax return. Of particular interest in this analysis was the effort to isolate the net effect of the taxpayer's marginal tax rate on the amount of charitable giving. This form of analysis deals with the sort of question -- e.g., just what effect does a tax incentive for charitable contributions actually have -- that I indicated in my earlier remarks is crucial to the approach we should take to many of our tax provisions.

This analytic approach opens our tax system to the whole range of cost effectiveness analysis that we are now applying to governmental and private expenditures. If diligently and carefully pursued, it could well involve major significance for the tax policies of the future. It may hold the key to an objective appraisal of many of our existing tax preferences. Where it discloses dollar waste and inefficiency resulting from inappropriate tax benefits, it may in the long run -- which is the important perspective in tax policy -- thereby overcome lobbying pressures and the pull of the status quo and thus succeed where arguments based only on logic and tax equity have proven insufficient.

Simulation of Business Experience

Another kind of analytic computer model has been developed under a research project contracted for by the Treasury Department in connection with our continuing study of the depreciation deduction.

In July 1962, the Treasury substantially revised the basic approach to the determination of the useful life of depreciable assets. The new procedure provides guideline useful lives by industry grouping rather than on an asset by asset basis, with one guideline life applying to all the assets in each of the less than 100 specified industry classes. The new approach contains a reserve ratio test, refined in 1965 with a revised transitional procedure to this test, that is intended to provide an objective basis for appraising the appropriateness of the depreciable lives used by the taxpayer for tax purposes. This reserve ratio test has been widely discussed. The issues that have been raised include whether it is worthwhile to require that a taxpayer use lives for tax depreciation purposes which correspond to his replacement cycle and whether the reserve ratio provides an efficient test of this correspondence.

To aid policy analysis in this difficult and important area, the Treasury is now in the process of testing a computer based simulation model of the profitability of depreciable assets. The major purpose of this effort concerns the investigation of the following two questions:

1. How much variation in effective tax rates results between taxpayers if they use lives for tax depreciation purposes which are markedly different from the actual lives involved in their various replacement cycles? How much difference does it make in the after-tax rate of return if two taxpayers use, say, ten year lives for tax depreciation purposes but one replaces on a ten year cycle and the other on a twenty year cycle?

2. How well does the reserve ratio test work in its present form? Under what circumstances will it generate unwarranted failures by taxpayers who are in fact conforming?

In general, both propositions need to be explored or evaluated by assuming varying degrees of conformity between actual lives and tax lives in an adequate number of alternative investment situations. The primary parameters in the definition of an investment situation include: actual life of the asset or average composite life of a group of subaccounts, pre-tax profitability, growth characteristics, inferiority gradient, retirement dispersion, degree of conformity between actual life and tax life, and investment tax credit. The remining parameters are provided to generate realistic investment situations. That certain characteristics were listed as important means simply that they make a good deal of difference in the answers that the model will give about depreciation and the investment credit. In other problems of investment, different parameters would be important. Since virtually none of the important parameters are single-valued, and since some have a rather wide range of plausible values, the number of alternative discrete investment situations is very large.

In the past, analysis of problems of this sort has involved the creation of rather simple models that could be worked on a desk calculator. The literature on tax depreciation, for example, exhibits many instances of conclusions drawn from discounting at a single discount rate future after-tax income arising from a single asset. It is important, however, to ask our depreciation questions with reference to a realistic range of business situations: What happens to the after-tax rate return year after year for a firm with a large complex of assets of various ages and various relationships between actual lives and lives for tax depreciation purposes? What happens in this kind of a model if we change the rate of growth, or the basic rate of before-tax profit, or the assumptions as to how the productivity of particular assets declines with increasing age? The number of combinations of assumptions thus rises very rapidly, and only the capability of high-speed computer equipment makes it possible to thoroughly investigate these questions.

We are now engaged in an exploration of another simulation study in the area of tax influences on real estate investment. The tax law applies with significant differences between investment in buildings on the one hand and in machinery and equipment on the other. Buildings do not qualify for the investment credit, but they do have certain capital gain possibilities not available to machinery and equipment. The 1962 depreciation revision does not apply to buildings. It is also possible that some special features of investments in buildings, such as the longer life and typically high leverage, might cause some features of the depreciation system to have significantly different effects between buildings and machinery. Given this combination of tax provisions, the question arises whether the income from investments in buildings is taxed too lightly or too heavily, or in ways that produce distortions as to certain types of investments, or just right.

Here again the problem is one that presents many variables so that the number of potential combinations is very large. The computer will be a valuable tool to aid understanding in this area if a program can be written which embodies the important characteristics of actual real estate investments.

Econometric Analysis

I have described two particular models that we have developed and are utilizing in tax analysis. I should add that we are also making considerable use of the extensive current work in econometric analysis that is going on in research and academic organizations. Many of you are familiar with the econometric model of the aggregate economy based upon fitting relationships simultaneously to a set of equations. A major contribution in this area has been the work recently published by the Brookings Institution and the Social Science Research Council describing their elaborate model of the United States economy. Somewhat less ambitious models have been used for several years in forecasting work by Professors Evans and Klein at Pennsylvania, by Professor Suits at Michigan, and the recently published model of the Office of Business Economics. Treasury tax policy and revenue estimation must necessarily take into account forecasts of economic activity, and our work on current economic forecasts has drawn heavily upon the output of these simultaneous equation models. As you know, the computational task involved in the development of these models is such that they could only have been developed in the age of the high-speed computer.

One important aspect of these simultaneous equation systems and other elaborate curve-fitting methods is that potentially they offer a better estimate of what are called the structural characteristics of the economy. Under the older techniques of correlation analysis, while it was possible to observe relationships that existed in our economy, it was extremely difficult to break down broad economic relationships into their components. For example, obviously the amount of investment that takes place in the economy is related to the size of the gross national product. But how dies this relationship actually work? Does it work through the increase in markets that is generated by higher levels of income, or does it work through the increase in profit rates generated by higher levels of income, or does it work through the increase in cash flows of corporations generated by higher levels of income? If we are to talk about the effect of a particular tax provision, such as the 7 percent investment credit for machinery and equipment, it becomes important to know more than that there is a relationship between investment and an increase in income. We need to know the relative importance of the various ways in which this relationship works out in the economy, since alternative tax devices can be selected which have differing effects on the size of the consumer market, the rate of return on investment, or the amount of corporate cash flow. The more sophisticated work in econometric analysis that is going on will permit us to draw better conclusions for tax policy in this investment area. The Treasury is therefore in close touch with research activity in this area and is developing studies designed to explore the effects of the investment credit and depreciation changes on the level of private investment.

Statistical Data

Another general area of reliance on the computer is the generation of data for analysis. The automatic data processing system of the Internal Revenue Service offers promise of new and quite challenging opportunities to find out how our economic system works, and how the tax structure affects it.

The ADP system gives promise of providing a more sophisticated technique for drawing returns that will allow more efficient sampling and better statistics. This can be especially helpful in research involving the operation of the relatively less used deductions and exclusions. Hopefully, also, we can develop techniques for obtaining detailed statistics relating to panels of identical taxpayers over a number of years. This will provide information on the impact of the tax system on people with variable income and variable deductions. Besides being of aid to tax policy decisions, these data would furnish information about our economic system which would be of great value to social scientists generally. Another promising development, which is facilitated by the computer technology, is the construction of more efficient statistical bridges between our income tax statistics and other statistical sources, such as the Consumer Income Report of the Bureau of the Census. The presently published tax return information presents a very limited picture of the total situation of low-income families because of the absence of family groupings and the absence of information on nontaxable incomes.

Conclusion

Because of computer technology and econometric analysis, we are entering upon a period of considerable change in tax analysis. Periods of change are times of great hope and promise, and they are also times of considerable strain. Change may dramatically improve things, but in the process of making changes we can also make mistakes. The greatest protection against mistakes is an ability to devise experiments to find out beforehand how things would work. The computer technology provides a basis for simulated experiments under realistic conditions. It offers, therefore, a capacity for avoiding mistakes and can mean that this period of change offers somewhat greater safety than in the past.

We should certainly recognize that our present tax system is too complex, too highly structured, and too important to permit its development to be guided by the platitudes and cliches that mark many efforts for change. The computer technology offers us the opportunity of far greater knowledge than we have ever possessed in shaping and evaluating the tax policy alternatives. It is incumbent on those who are the guardians of this technology to strive to inform policymakers of the opportunities and potentialities it affords and to keep them constantly aware of how their decisions can be more solidly grounded in empirical data and analytic support.

New techniques, however, will sometimes generate unexpected answers. Until these unexpected answers have gone through the elaborate testing which is involved in gaining professional acceptance, we will need to rely on human judgment to relate the new insights derived from the computer to the body of wisdom accumulated in the past. It is not true that any number is always better than no number at all. We must beware that the apparent certitude offered by the mass of numbers computers can generate or the conclusions that the ranks of econometric equations can produce do not lull us into a false security. There is still room, as the computer technology develops, for a constructive two-way dialogue between the computer technologists and those whose insights come from experience and accumulated wisdom. Working together they can offer great hope and promise for an improved tax system capable of fully bearing its share of responsibility for achieving the Great Society we are seeking.

TREASURY DEPARTMENT
Washington

FOR RELEASE: UPON DELIVERY

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AT
COMMENCEMENT EXERCISES, WILLIAM AND MARY COLLEGE
WILLIAMSBURG, VIRGINIA
SUNDAY, JUNE 12,1966, 5:00 P.M., EDT

There are in this country few places whose roots reach farther and deeper back into this nation's beginnings, into the origins of all that as a people we are and try to be, than this city of Williamsburg and this college of William and Mary.

Here, more than two centuries ago, came the young Thomas Jefferson, eager to explore all man had done and dreamed so that he could better understand all that man was and could be.

And today, two centuries later, it is through his voice still, and the vision that he held forth, that we understand most deeply all that America is and can be -- a land where every man can find not only infinite promise but abundant opportunity for a full and free life.

And today, two centuries later, it is Jefferson's vision of all America is and can be that still summons forth our best efforts and energies -- the vision set forth so eloquently for our time in President Johnson's call to the building of a Great Society in whose abundant life every man could share to the fullest measure of his ability and his desire.

But if the vision is the same -- if the dream and the ideals remain unchanged -- the world in which we seek to realize them bears little resemblance to the world of Jefferson's day.

We can no longer seek -- as a nation or as individuals -- to pursue our dreams alone and apart from the world around us. As a nation and as individuals, we are all inescapably caught up in events and changes whose pace and scale seem -- in contrast to earlier eras -- so much larger than life. No sooner do we begin to become accustomed to one environment, to one situation, to one set of circumstances, than we discover that another has taken its place. The late Professor Norbert Wiener observed of "modern technique" that "every apparatus, every method is obsolete by the time it is used. Techniques are developing so rapidly that we cannot, unless we are going to have a large period of chaos, allow our thinking to lag behind the techniques and the possible modes of development." And what is true of technological events is equally true of human affairs.

It is no longer possible for any of us to follow Voltaire's advice and, fenced off from the rest of the world, to cultivate our private gardens -- to engage in our private pursuits and leave public problems to those who occupy public positions. A bomb that explodes in Watts or Saigon shatters windows in Washington and Williamsburg as well. No longer can we close ourselves up in our personal ambitions and concerns, our personal interests and endeavors, for at every step of the way we will encounter larger interests and wider concerns to challenge our conscience and to engage our efforts and our energies. In today's world, we are all -- in varying degrees -- public servants.

What, then, is the job before us -- at home and abroad?

At home, we face first of all the job of sustaining our unprecedented economic prosperity, for it is this prosperity that must underlie our efforts to achieve all our other goals at home and abroad. To sustain that prosperity will require that we continue to follow a policy mix that is inclusive rather than exclusive, that seeks not one economic goal at the expense of all others, but all of our major economic goals at one and the same time -- our paramount goals of strong and steady economic growth, of full employment, of reasonable price stability, and of relative equilibrium in our international balance of payments. To sustain that prosperity will require that all segments of our economy -- government and business and labor -- continue to work together in a growing partnership for prosperity.

But prosperity is not nearly enough. The time has long passed -- if, indeed, there ever was a time -- when the task of sustaining a high level of economic advance seemed challenge enough to occupy the bulk of our effort and attention. The time has long since passed -- if, indeed, there ever was a time -- when we could justify a prosperity that meant only more for those who already had enough, that meant only a growing gap between those who share and those who failed to share in its fruits -- if it meant continued neglect of needs too long left unmet and of problems whose solution has been too long postponed.

We seek prosperity -- we strive to sustain it -- because it alone will enable us to better achieve our goals as individuals and as a nation. We seek it because through it alone can we develop a society that deserves to be called great.

That is the task to which President Johnson has awakened us anew -- the task to which he has already aroused and engaged so much of our efforts and energies -- the task in which already he has led us to such bold beginnings.

We have begun to make real inroads upon the acute social ills too long obscured or ignored in the life of our land -- the ills of poverty and prejudice and ignorance. We have begun to make real advances toward the day when ability to learn rather than ability to pay will be the sole standard of educational opportunity in America -- toward the day when no American need fear the economic consequences of unemployment, of old age or of ill health -- toward the day, in short, when every American can enjoy the opportunity of a full and free life.

I do not suggest that the millenium is at hand. The tasks ahead are staggering. And today, as in times past, the distance between deed and ideal is long and difficult. But while I would not underestimate the difficulties ahead, neither would I underestimate our capacities to overcome them.

Not the least of those difficulties is the fact that we must pursue our goals at home in full awareness and full acceptance of our responsibilities for leadership in a deeply interdependent world.

No longer can it be said of us -- as Lloyd George said of us when we rejected our world responsibilities in the aftermath of World War I: "The Americans appeared to assume responsibility for the sole guardianship of the Ten Commandments and for the Sermon on the Mount; yet when it came to a practical question of assistance and responsibility, they absolutely refused to accept it."

For we understand -- and our deeds have demonstrated our understanding -- that the way in which the United States exercises its international leadership will do much to determine the future for the world and for succeeding generations of Americans.

The challenges before us are many, but surely these are three of the most basic:

> First, the challenge posed by the Communist commitment to world conquest -- and in particular by the Communists' effort to impose their will and extend their influence by outright aggression and by subversion backed by the threat of aggression.
>
> Second, the challenge posed by the collapse of colonialism and the emergence of new nations -- thus far more than fifty in number -- coupled with the growing demands of underprivileged peoples everywhere for full and immediate deliverance from the hunger and the disease and the illiteracy and the grinding poverty that had ruled their lives for centuries.
>
> Third, the challenge posed by the spreading outbreak of excessive nationalism -- most noticeable and understandable in some of the less developed countries, but highly visible as well in some of the world's more developed nations -- that considerably complicates the efforts of nations to work together on a multilateral basis to attack common problems and to achieve common objectives.

These are the overriding challenges that will continue to require our fullest energies and efforts for long, hard years to come. For surely there is not one of us who has not long ago shed -- if, indeed, we ever entertained -- the illusion that these challenges will surrender to sudden or simple solutions.

And surely we realize as well that our responsibilities in the world are not ours alone either to determine or to bear. For our responsibilities are determined by the realities and events of the world in which we live, realities and events which are often open to our influence but beyond our control. And they are shared by all the other nations of the Free World -- by all nations who cherish their freedom and independence as we do and who equally labor to further the cause of peace and justice and freedom and well-being throughout the world.

To meet the great and common challenges before us -- the opportunities as well as the dangers -- will continue to require of us and our allies the highest qualities of leadership on two major fronts:

> First, leadership in standing firm and united against Communist aggression and subversion with sufficient force and power to deter such efforts and to demonstrate beyond any doubt that they are too unrewarding and dangerous to be worth the risk.
>
> Second, leadership in assisting on a multilateral basis the new nations in their struggle to achieve both essential stability and sufficient progress toward meeting the rising needs and demands of their people.

On both of these fronts -- over a period of two decades and under the leadership of four Presidents -- ours is a record of the most unrelenting effort and the most enduring accomplishment toward the preservation of peace, the protection of freedom and the promotion of human rights and human welfare.

We have helped counter aggression in all its guises -- whether open or concealed -- on nearly every continent on the globe, in countries great and small -- in Greece, on Turkey and in Berlin; in Lebanon, in Iran and in India; in Taiwan, in the Congo, in Laos and now in Vietnam.

We have sought, not to act alone and apart, but to join with other nations in forging effective alliances against aggression -- aggression in the Atlantic Community through the North Atlantic Treaty Organization, aggression in Southeast Asia and the Pacific through the Southeast Asia Treaty Organization, aggression in Latin America through the Organization of American States,and aggression anywhere in the world through the United Nations.

We have made the required sacrifices, and we have borne the required costs.

Nor have we been found wanting on the second front -- where also we have led the way toward helping assure throughout the Free World the economic development and the social progress that alone will enable men to better their lives. There has been in the decades since World War II no great multilateral organization or effort for peace and for the works of peace whose advent and whose accomplishments do not reflect, in large measure, our leadership and our support -- the United Nations, the International Monetary Fund, the World Bank, the Marshall Plan, the Inter-American Development Bank, the Alliance for Progress and most recently the Asian Development Bank -- a venture in which we have joined with 31 other nations, including 12 nations outside Asia, and which seeks to open up for the peoples of Asia far fuller opportunities for sharing in the economic abundance and social progress that so much of the rest of the world can take for granted.

Through these multilateral efforts, through bilateral government aid, and through numerous private channels, we have devoted a vast share of our wealth and our resources to the task of helping others increase their share of the world's abundance. In the postwar decades we have contributed a net total of some $100 billion of our national wealth to helping better the lives of others through our major government foreign assistance programs.

Indeed, in meeting the great challenges of our times, we have not been found wanting. Never in the memory of man has any nation done so much and at such great cost, not to gain dominion over the lives or the resources or the territory of others, but to help others gain full and free dominion over their own destinies.

We do not say we have always been right. We do not say we have always been successful.

But no man and no nation can justly deny what history makes manifest: in the hour of need, we have not been found wanting.

And we will not be found wanting now.

We must continue to yield to no nation the patient pursuit of peace and the works of peace -- and continue to demonstrate, as we do in Vietnam, that we have the will and the weapons to resist aggression.

We must be willing to bear the burdens and accept the uncertainties and the unpleasantness and the imperfections that come with such a war as Vietnam. For Vietnam is a war of wills as well as a war of weapons. It is a test of our willingness to survive -- to surmount -- the strain of constant, continual conflict whose end is never clearly in sight.

At the same time we must continue -- together with other developed nations of the Free World -- to carry our share of the burden of leadership in the common task of helping the developing nations of the world to realize their destiny and enrich the lives of their people in dignity and freedom. And we are taking the initiative in these endeavors -- seeking assiduously in both quiet and public diplomacy to enlist the cooperation of our allies in bold new efforts to promote free trade, to strengthen the international monetary system, and to make available to needy peoples everywhere the opportunity and the means and the incentives for conquering hunger and disease, and for living under the liberating light of education and knowledge.

For we seek for others no more than we seek for ourselves -- the opportunity for a full and free life. Abroad as at home, our efforts reflect our awareness that with might must come maturity, with wealth and riches must come wisdom and responsibility, and with success must come sacrifice.

This, indeed, must be our awareness -- not only as a nation but as individuals -- in the days ahead. For the challenges before us are too great and the world is too small for any of us to retire into an island of purely private concern -- into what one observer has called the "cult of private sunshine and secluded complacency."

I do not share the view, held by some, that these years of academic education you are now completing have been years of isolation from the world, from life and its problems. I know, on the contrary, that they have been, in the profoundest sense, years of entrance into the world, years of real encounter with life and with its problems and its promise -- years for deepening and developing in a multitude of ways that understanding that Alfred North Whitehead deemed the most essential end of education -- "the understanding of an insistent present." The present, Whitehead rightly declared, "contains all there is. It is holy ground; for it is the past, and it is the future." I know that it is your experience here at William and Mary -- and that of others like you at colleges and universities throughout our land -- that helps us heed the warning uttered by that same thinker half a century ago: "In the conditions of modern life the rule is absolute, the race which does not value trained intelligence is doomed."

But, as I have tried to suggest in all I have said -- as, indeed, all the awesome and awful events of recent decades so unanswerably argue -- the "trained intelligence" alone is not nearly enough. For as individuals and as a nation, we can accomplish all we seek to accomplish, and avoid all we seek to avoid, only to the extent that we exhibit in abundance, not only the trained intelligence, but the active and engaged intelligence, the informed and awakened imagination, the aroused concern and the committed conscience.

As one who has known the privilege of spending many of his years in formal public service, I hope very deeply that some of you will seek to know that privilege. I would urge, indeed, that all of you give serious thought to the possibilities of public service, not only on the national level, but on the state and local level as well. Everywhere throughout the country our states and our cities struggle to cope with the most staggering problems, and everywhere those citizens who have most to offer are often the most reluctant to become involved in local and state affairs.

I know that only some of us can -- that only some of us should -- enter formal public service. But all of us can and all of us must, in the broader sense, accept the obligations and opportunities for public service that in today's world exist in such abundance.

I urge each of you, whatever your career, to interest and involve yourselves -- for you have so much to give -- in all those issues and affairs that so critically affect our lives but lie beyond the narrow boundaries of our own personal pursuits.

I urge you to do all you can in every way you can to bring to life in your businesses and your professions, in your towns and your communities, in your cities and your states, in your nation and your world, that vision evoked for all time by Thomas Jefferson two centuries ago -- and set forth so eloquently for our own time by President Johnson -- the vision of an America and a world in which men and men's hopes can not only survive, but flourish.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 10, 1966

FOR RELEASE A.M. NEWSPAPERS
MONDAY, JUNE 13, 1966

NEW ASSISTANT COMMISSIONER OF INTERNAL REVENUE APPOINTED

Treasury Secretary Henry H. Fowler today appointed Albert W. Brisbin as Assistant Commissioner of Internal Revenue for Planning and Research.

Mr. Brisbin, for the last four years Assistant to the Deputy Commissioner, replaces William H. Smith, who has been promoted to Deputy Commissioner.

As Assistant Commissioner for Planning and Research, Mr. Brisbin will be responsible for the coordination of IRS plans and policies and for the advance research, statistics of income and systems development programs of the Revenue Service.

Mr. Brisbin, 55, started his government career with the National Youth Administration in 1936. During World War II, he served with the U.S. Army in Europe, rising from the rank of Private to Major. After the war, he joined the Veterans Administration. He transferred to the Internal Revenue Service ten years ago. Before being named Assistant to the Deputy Commissioner of Internal Revenue, he held a number of responsible positions in the Revenue Service.

Mr. Brisbin has earned numerous commendations for his work, including the Treasury Department Meritorious Service Award which he received in 1965.

A native of Dayton, Texas, he attended Ball High School in Galveston and Port Arthur High School in Port Arthur, Texas. He also studied at the University of Texas and at the Southwest Social Service Institute in Dallas.

Mr. Brisbin is married to the former Roberta Winslow of San Angelo, Texas, and they reside at 1362 Fourth Street, S.W., in the District of Columbia. They have two sons and four grandchildren.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

RELEASE 6:30 P.M.,
day, June 13, 1966.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced that the tenders for two series of Treasury bills, series to be an additional issue of the bills dated March 17, 1966, and the other ies to be dated June 16, 1966, which were offered on June 8, 1966, were opened at the eral Reserve Banks today. Tenders were invited for $1,300,000,000, or thereabouts, 91-day bills and for $1,000,000,000, or thereabouts, of 182-day bills. The details the two series are as follows:

E OF ACCEPTED PETITIVE BIDS:	91-day Treasury bills maturing September 15, 1966		182-day Treasury bills maturing December 15, 1966	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	98.852	4.542%	97.624	4.700%
Low	98.840	4.589%	97.619	4.710%
Average	98.844	4.575% 1/	97.620	4.707% 1/

44% of the amount of 91-day bills bid for at the low price was accepted
90% 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:

strict	Applied For	Accepted	Applied For	Accepted
ston	$ 20,517,000	$ 10,517,000	$ 7,966,000	$ 2,966,000
w York	1,590,346,000	903,691,000	1,728,082,000	670,083,000
iladelphia	33,928,000	16,758,000	14,314,000	5,014,000
eveland	24,098,000	23,299,000	43,131,000	26,921,000
chmond	10,813,000	10,813,000	4,543,000	4,543,000
lanta	45,668,000	30,068,000	33,796,000	14,345,000
icago	274,086,000	146,694,000	349,991,000	64,791,000
. Louis	52,830,000	29,330,000	39,855,000	14,911,000
meapolis	18,726,000	10,750,000	10,617,000	6,117,000
nsas City	25,825,000	25,825,000	16,731,000	12,941,000
llas	26,277,000	13,981,000	14,559,000	8,080,000
Francisco	127,589,000	78,661,000	220,490,000	170,751,000
TOTALS	$2,250,703,000	$1,300,387,000 a/	$2,484,075,000	$1,001,463,000 b/

ncludes $242,928,000 noncompetitive tenders accepted at the average price of 98.844
ncludes $137,495,000 noncompetitive tenders accepted at the average price of 97.620
hese rates are on a bank discount basis. The equivalent coupon issue yields are .69% for the 91-day bills, and 4.89% for the 182-day bills.

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TREASURY DEPARTMENT
Washington

STATEMENT OF THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE THE
SENATE FINANCE COMMITTEE
ON THE PUBLIC DEBT LIMIT
MONDAY, JUNE 13, 1966, AT 10:00 A.M.

The President in his Budget Message last January requested legislation that would raise the ceiling on the public debt for the period after June 30, 1966. Existing law provides that the temporary debt limit, now at $328 billion through June 30, 1966, will revert to the permanent limit of $285 billion on July 1, 1966, making legislative action essential prior to the end of the fiscal year.

Otherwise the Treasury and the United States Government will be in the impossible position of being unable to refinance maturing debt as it comes due and, as our cash balances are exhausted, unable to pay for Government expenditures.

Last year when I appeared before you on the debt limit we indicated a need for a temporary ceiling of $329 billion to cover the high point of our needs on March 15, 1966. I wish to report that on that date our debt limit need, within the conventional framework of a $4 billion cash balance and a $3 billion leeway, was within $300 million of our estimate. That is, the actual debt subject to limit was $323.4 billion, while the cash balance was $1.2 billion. If the cash balance had been at the normal $4 billion level, the debt would have been $326.2 billion -- or only $300 million away from the $325.9 billion on which we had based our estimated need for a $329 billion limit.

There was no need to draw upon the leeway for contingencies so we were able to live with the fact that the House Committee, in reducing our request to $328 billion, actually allowed us only a $2 billion margin for contingencies. Following the House action last year I appeared before this Committee and, in the interest of prompt action, requested only a $328 billion ceiling rather than our indicated need for $329 billion. This shaving of the request entailed some risks but I saw no strong objection and entered none.

This year in our request for a new debt limit ceiling we have as usual assumed a $4 billion constant cash balance. This plus the $3 billion allowance for contingencies has been the basis for previous requests. However, as the Committee knows, the cash balance necessarily fluctuates over a wide range; it will frequently be high after tax dates and new financings and can safely be lower immediately before tax payment dates.

This $4 billion cash balance base is a conservative number to cover our actual needs. Since the level is necessarily much higher than this after tax dates and major cash borrowing dates, it would have to be considerably lower than this level on many other occasions in order to average $4 billion. In fact, our average cash balance in fiscal 1965 was $6.3 billion and the average was last below $4 billion in fiscal 1958. I am pleased to report that this year, through vigorous efforts, we will hold the cash balance to an average of about $5.0 billion. That is only slightly over half a month's budget expenditures and is about as low as one can go in prudence to economize on our cash balances. At one point this past year our cash balance was down to $573 million -- the lowest level since before World War II. This was certainly an unsustainably low level, but it was indicative of our continuing effort to keep the balance as low as is consistent with sound fiscal management.

The customary $3 billion debt ceiling allowance for contingencies represents a minimum margin of safety to cover events we cannot now foresee as well as to cover the uncertainties of month-to-month estimates of receipts and expenditures for thirteen months in the future. In addition, Treasury borrowing operations are necessarily in large amounts and are attuned to both our needs and favorable market opportunities. Because these borrowings cannot be adjusted perfectly to day-to-day changes in our cash balances we must have the leeway to cover the temporarily higher debt levels immediately following a financing.

Other than the requirements for a minimum cash balance and a contingency allowance, the debt ceiling requirement depends to a considerable extent on (1) the seasonal imbalance in our receipts and expenditures and (2) the result of the previous fiscal year's receipts and expenditures on the public debt.

On the first point we will have received about 42 per cent of our revenues in the first half of fiscal 1966, whereas expenditures will be approximately equal in the two halves of the year. Thus in fiscal 1966, as usual, we have had to borrow heavily in the July-December period and, with large tax receipts in March, April and June, we will pay off all or a large part of these seasonal needs in the spring months. On the second point -- namely, the prior year's fiscal result -- the level of the debt at the end of the prior fiscal year determines the starting point for the succeeding year's seasonal needs. Because the peak seasonal needs have not varied greatly from year to year, the sequence can almost be simplified to the point of adding the prior year's deficit to the prior year's debt limit to get the new year's debt limit. In other words, the deficit for fiscal 1966 added to the $328 billion limit for 1966 will closely approximate 1967's needs. This rough rule of thumb works well for fiscal 1967 and our more refined estimates produce almost the same number as this guide.

As you know, the President in his Budget Message last January estimated fiscal 1966's deficit at $6.4 billion, based on revenue estimated at $100 billion and expenditures at $106.4 billion. Since then two changes have occurred in our revenues. First, a more timely payment of withheld income taxes is expected to add nearly $1 billion to June revenues. About 75,000 larger employers will be required to deposit withheld income taxes twice a month rather than once a month. A similar system will also apply on social security taxes. The first such payment is due on June 20, 1966 at about the time when payments are coming in under the old schedule covering a full month's liability. This one-shot doubling up will affect only 1966 revenues.

Secondly, the pace of collections on other taxes has also increased. Individual income taxes not withheld are running in excess of the amount we estimatedlast January. There has been no change in estimated income in calendar 1965, on which fiscal 1966 revenues are based. Thus it may well be that the marginal tax take from higher income has continued to rise. However, it is not unusual to have revisions in the prior year's income data, and a precise analysis of the reasons for the increase must await the availability of more data.

While a refined estimate of the improvement in revenue is not available, we used $102.5 billion of revenues as our planning base at the hearings before the House Ways and Means Committee last month. We indicated at the same time that this was a conservative estimate, and that the revenues might turn out as much as half a billion dollar higher -- in other words at $103 billion. As I said, a fully refined estimate is still not possible -- the heavy June payments are still ahead of us. On the expenditure side the Director of the Bureau of the Budget has advised me that within a narrow range the $106.4 billion estimate of the January budget is still a good appraisal of the expenditure outlook for fiscal 1966. However, there are uncertainties still facing us with respect to expenditures and this $106.4 billion represents the middle of a range rather than a precis forecast. Putting the $102.5 billion of revenues and $106.4 billion of expenditures together, we would now look to a deficit of about $3.9 billion this year, an improvement of $2.5 billion over the January estimate.

The uncertainties of the future are more cloudy than is normal at this time. To the usual questions of Congressional actions on the President's budget requests, must be added not only the uncertainties of Vietnam costs, but also the uncertainties as to the pace and scale of our economic growth -- that is whether the rates of growth characterizing recent quarters will be maintained. These factors can have both expenditure and revenue consequences of sizable magnitude. Weighing all the uncertainties and imponderables together, however, we have preferred to continue to use the $1.8 billion deficit estimate for fiscal 1967, made last January.

On these estimates for fiscal years 1966 and 1967 and bearing in mind all the uncertainties, we have projected forward the public debt at mid-month and at month-end through fiscal 1967 shown in the attached table. The table is similar to the one that accompanied my statement to the House Ways and Means Committee last month. The debt projections are in the same format as in previous debt limit hearings and assume a constant Treasury cash balance of $4 billion. On this basis the debt will rise to a seasonal peak of $328.7 billion on March 15, 1967. This prospective level of debt, rounded to $329 billion, and augmented by the usual $3 billion allowance for contingencies would under our customary procedures be the basis for requesting at this time a new temporary debt limit of $332 billion to carry us through June 30, 1967.

As you know, the House Ways and Means Committee has approved an increase only to $330 billion, and the House has already given its approval to this lower level. At the time of the House Committee hearing I indicated great reluctance to accept a limit of only $330 billion, since on the basis of our estimate then there would have been three occasions during the year when we would come within the $3 billion contingency reserve, and this represented too thin a margin for prudent operation. I did indicate to the House Ways and Means Committee that we could in all likelihood operate within a $331 billion ceiling.

I would still prefer a ceiling of $331 billion but I am prepared to accept a level of $330 billion, and in the interest of speedy passage of this needed legislation I therefore request that you approve the same ceiling already approved by the House -- that is, $330 billion.

Our estimates show that this will give us a very tight squeeze in early 1967 -- and as I said earlier the current uncertainties are more than normal at this time of year -- but I believe we may be able to operate within this more circumscribed limit. I must tell you, however, that if this should not appear to be working out, because of one or another of the various uncertainties that I have mentioned, we would have to come back before the end of fiscal 1967 for a revision of this limit.

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Fiscal Year 1967
(In billions)

	Operating Cash Balance (excluding free gold)	Public Debt Subject to Limitation	Allowance to Provide Flexibility in Financing and for Contingencies	Total Public Debt Limitation Required
1966				
June 30	$4.0	$313.3	$3.0	$316.3
July 15	4.0	316.6	3.0	319.6
July 31	4.0	316.8	3.0	319.8
August 15	4.0	318.4	3.0	321.4
August 31	4.0	320.3	3.0	323.3
September 15	4.0	323.4	3.0	326.4
September 30	4.0	318.1	3.0	321.1
October 15	4.0	321.9	3.0	324.9
October 31	4.0	322.2	3.0	325.2
November 15	4.0	324.4	3.0	327.4
November 30	4.0	324.6	3.0	327.6
December 15	4.0	327.8	3.0	330.8
December 31	4.0	323.0	3.0	326.0
1967				
January 15	4.0	325.3	3.0	328.3
January 31	4.0	324.1	3.0	327.1
February 15	4.0	325.2	3.0	328.2
February 28	4.0	324.7	3.0	327.7
March 15	4.0	328.7	3.0	331.7
March 31	4.0	323.5	3.0	326.5
April 15	4.0	327.5	3.0	330.5
April 30	4.0	318.6	3.0	321.6
May 15	4.0	319.8	3.0	322.8
May 31	4.0	320.4	3.0	323.4
June 15	4.0	324.7	3.0	327.7
June 30	4.0	314.9	3.0	317.9

REMARKS OF PETER D. STERNLIGHT
DEPUTY UNDER SECRETARY
FOR MONETARY AFFAIRS
BEFORE THE ANNUAL FORECASTING CONFERENCE
CHICAGO, ILLINOIS, JUNE 14, 6:30 p.m.

Adaptations of Economic Policy

It is a great pleasure for me to share with you today some thoughts about economic policy and its adaptions to different times and circumstances. To inject a personal note, I must say that in joining the Treasury some six months ago I did not quite contemplate that I would have the opportunity to see such a compression of changing circumstances into such a short span of time, but the experience has been, at the least, educational.

With flexibility of policy now a watchword, I should mention in all modesty as a testimonial to my own flexibility that in moving from the Federal Reserve to the Treasury just a few weeks before the discount rate change of last November, I found myself, luckily, always on the right side. Of course, I did find, upon switching over that fiscal policy and debt management decisions have become much more complex than they used to be, but the over-all policy framework remains essentially no more difficult to apply than earlier, since monetary policy now turns out to be a simpler matter than ever it appeared to be when I was closer to the counsels that formulated and applied it.

This happy thought does not really stand up too well under close examination, however, and whether because years of contact with monetary policy have paralyzed my nerve, or because cool appraisal will not justify the conclusion, I find myself unable to prescribe the correct course for monetary policy with the same confidence that fiscal and debt management moves are recommended by the monetary authorities.

In a more sober vein, no one can look at the history of the U. S. economic policy in the past decade and a half and fail to be impressed with our growing knowledge of the impact of economic tools, and increased willingness to use them. The 1950's represented a true coming of age for monetary policy, and the lessons learned then were important even though we now are discovering that financial markets are in a continual state of adaptation -- or at least they have been in recent years -- and that some of the cause and effect relationships that we may have thought were pretty well under control could stand some careful reexamination. Even so, the principle stands that we are willing to use monetary policy and believe it can be an effective instrument of public policy.

Fiscal policy has had, in different senses, both an easier and more difficult time in proving its worth. In the major sense, say, of requiring greater tax revenues to finance full-scale military effort, its role has never been doubted. In less obvious circumstances -- such as the desirability of reducing taxes as a deliberate step to stimulate the economy, the case has had to be proven, arduously, but with demonstrable success in the wake of the 1964 tax reduction. Still more remarkably, it has become fairly well accepted that it was desirable to have put through a tax reduction at that time even though the Government was starting from a position of deficit. The ensuing economic growth, stimulated in no small way by the tax reduction itself, generated additional tax revenues at the lower rates that far more than offset the theoretical loss of revenue produced by lower tax rates. Thus we are now able to proceed in the future with the useful experience behind us of having cut taxes in a period of deficit, and found this both good economic policy and prudent fiscal management.

It is interesting to hypothesize on the basis of that recent experience whether, if the appropriate circumstances should arise we might be ready for a *rise* in tax rates even while contemplating a prospective budget balance or budget surplus. I hasten to cast all of this in a wholly hypothetical vein, and can assure you that I know no more than the rest of you about the possibility or likelihood that a tax rise would be suggested in the near future. Moreover, I am not able to predict with any confidence that we are now heading into budget surplus in the coming fiscal year, notwithstanding the optimism of the staff of the Joint Committee of Congress on Internal Revenue Taxation.

In the course of the recent debt ceiling hearings before the House Ways and Means Committee, the Joint Committee staff was able to project revenues in FY 1967 at a sufficiently high level to give us a small surplus instead of the small deficit projected last January. But the spending figure may also need revision and without pinpointing either of these magnitudes our present working assumption is that the $1.8 billion deficit anticipated last January is still a reasonable figure.

Still, the questions both of what our budget outlook now would read and whether further restraining fiscal action might be called for, do keep bobbing up, and the hypothetical puzzler of an anti-inflationary tax boost in period of budget surplus remains to intrigue us. It is simply the obverse of cutting tax rates in recession, but no doubt it would take more than an appeal to analogy to make a case here. The analogy is there, though, as well as the good sense of setting a budget policy that does right by the economy, and not merely one that seeks to balance out the books.

Before leaving this intriguing area of taxes -- on which I can't shed the kind of light you might be interested in anyway, I would just add that by some means of reckoning we have already been getting the benefit of a modest tax increase on top of the corporate speed-up, the graduated withholding, and the partial restoration of excise taxes which was signed into law last March 15, 1966. This is because the marginal rate of tax taken at current income levels has been well in excess of earlier estimates. Some of you may have had a peronal opportunity to participate in that higher marginal rate of return just a couple of months ago, when you were calculating your final returns for 1965.

Even so, the large tax returns now coming in do not answer the question of whether this is enough. That judgment must still be made on the basis of all the information bearing on Federal revenues, expenditures, and the general course of the economy, both domestically and in our international economic relations.

Let me move on from this controversial area of fiscal policy to what used to be the more placid and dull terrain of debt management. In some past periods this has been a much neglected area of governmental financial policy, to which polite billing was given alongside monetary and fiscal on tax policy, but which commanded little real attention except among a few devoted students of the money market. Time has brought change here, too, however, and developments of the last few months could make debt management one of the more critical areas over which policy decisions are made.

Debt management, from the Treasury's standpoint, means the arranging of the debt structure in accordance with several criteria that are partly complementary but sometimes conflicting. One objective is to seek the lowest possible cost. Another is to arrange the debt so as to exert a positive influence toward stability in the economy -- seeking to keep an ample supply of liquid instruments on tap when the economy is in a slump, and seeking to sop up liquidity when activity is booming and private demands for long-term funds are strong.

But these principles come out much more neatly in theory than in practice. The temptation to float long debt in periods of relatively mild demands in the capital market is well-nigh irresistible, while in boom periods the floating of long debt seems a grim prospect indeed.

During the early 1960's the technique of advance refunding gave us, for several years, the best of both worlds. Started when the economy was in a slack period, in 1960-61, and continuing through several years of broad business expansion, advance refunding made it possible to lengthen the average maturity of the debt from about 4 years 2 months in mid-1960 to 5 years 5 months in early 1965. The volume of over-5-year debt was increased very substantially while coupon issues due within five years correspondingly declined. Much of the net increase in debt outstanding over the period was in Treasury bills, meeting a growing need for liquid instruments -- although at rising interest rates since availability of other instruments, notably bank certificates of deposit, was also growing.

Since early 1965, we have lost some ground in the average debt maturity. At the end of this month it will be about 4 years 11 months -- scarcely an alarming retreat, but not a trend that we want to see continued for too long. Two factors could be mentioned as contributing to the Treasury's absence from the long-term market. One, obviously, is the 4-1/4% rate ceiling on bonds, which keeps us from using a maturity longer than the five-year maximum possible on notes -- on which no interest limit applies.

In addition to the legal ceiling, the level of rates has been such that no substantial amount of long-term debt financing would have been likely in any event. Contracyclical advantages notwithstanding, it would be difficult to justify massive refunding operations that tied up large amounts of long-term debt at high interest rates.

Still there is an appreciable difference between aggressive pursuit of contracyclical debt management policy in a period of strong expansion, and a more modest goal of seeking to avoid the passively pro-cyclical policy into which we tend to slip if we go through an extended period of rates that block us out from doing any financing at all at longer term. I would not even go so far as to say that we need aim at a so-called "neutral" policy of seeking to avoid any shortening of the average debt maturity at times of high rates. But it is something else again to make no attempt at selling any longer-term debt, for this is a path that can lead to a troublesome, lopsided debt structure indeed.

What we could find, after an extended period of allowing the debt to shorten with no offsetting action to restructure it, is that an enormous amount of debt would come due each year, to be refunded on terms over which the Treasury, as borrower, would have less and less influence since the volume of our task and limited scope of our options would be well known to the investors. It makes an interesting mathematical excercise to see what maturity pattern emerges after an extended time if we were to refund all maturing coupon-bearing issues into 18-month or 5-year debt in, say, a 3-to-1 combination -- that is, as each coupon issue matured three-fourths of it would be replaced with an 18-month note and one-fourth with a five year note. If my calculations are right, we would arrive eventually at a "steady state solution" in which some 40 per cent, or a little over, of the coupon bearing debt would come due each year. This would not be a happy prospect for the debt managers.

This would not come about quickly, and indeed it might never come about if the periods of high interest rates were intermixed with some valleys in which it was possible to make headway in moving out some longer debt. But the shortening trend is not one that we can contemplate with indifference, and not knowing when the opportunities may come to achieve some restructuring, we are left with a persisting desire to accomplish some amount of longer financing even in high rate periods.

As you may have surmised, this is some of the thinking associated with recent comments about the 4-1/4% rate ceiling in the course of House Ways and Means Committee hearings on the debt ceiling last month, and the Senate Finance Committee hearings on this same subject on June 13. The Treasury made no direct request for immediate legislation to remove or modify the ceiling, as action on the 4-1/4% ceiling does not command the same urgency as the debt limit, but our position was made clear that we did not find it acceptable to live with this ceiling indefinitely. As Secretary Fowler said, we would welcome authority to sell some limited amount of longer debt in the next fiscal year. It will not be calamitous if we used only a part of any authority that might be provided to sell longer debt; and it would not even be a calamity if we sold none at all during the next year, but we do have the nagging concern that the longer we put off making some headway on the debt structure the harder it will be to recoup lost ground later on.

Some observers have been inclined to look at our program of asset sales as an alternative to issuing long-term Treasury debt, but I must say that I do not regard one as a substitute for the other by any means. It is true that sales of participation certificates are not restricted as to rate or maturity by the ceiling that limits direct Treasury offerings, and there have been recent offerings of certificates of intermediate term with maturities in the 10 to 15 year area, carrying rates well over 5 per cent. But these offerings do not relieve the Treasury of the need to keep its own debt structure in good order.

Besides,where longer maturities are offered in the course of the participation sales program, it is a counterpart to the offering, under the various Federal programs, of long-term credits of one sort or another to the private economy. If anything, the participation certificates sold with the backing of various Federal financial assets will tend to have somewhat shorter maturities than the assets in back of them, so that in appraising the total impact of Federal credit programs and financial asset sales on the economy we cannot very well count the sale of 10-15 year certificates as serving both to counterbalance the issuance of long-term Federal credits under various programs, and to offset a growing preponderance of short-term maturities in the direct Treasury debt.

Having brought up this matter of participation sales, I should go on to mention that we see this as forming an increasingly important part of Federal financial programs in years to come. Looking at our society's needs for credit supported programs in areas where entirely private flows of capital cannot be expected to do the needed job, ıe see the asset sales as an effective way to draw the necessary :unds out of the private economy without choking up the regular 'ederal budget with acquisitions of financial assets.

In greater or lesser degree, the Federal credit programs are n areas where private financing can, in time, be brought into a ıore direct role in the initiating, servicing, and risk-bearing unctions that the various Federal agencies now perform. The articipation sale technique draws in private capital at an earlier tage than might occur in the absence of these programs, and in the rocess, I believe, hastens the day when Government can turn over ore of these programs to the private sector.

There is an added measure of cost to participation sales, ompared with financing by means of straight Treasury debt issues, hich we have never sought to deny in making the case for these rograms. The past experience with Federal agency financing and the arly experience with participation led us to say, when presenting ır legislative proposals,that the added margin of cost was something ike 1/4 to 3/8% over straight Treasury issues. In the past few ɔnths, we have seen that spread widen out, to something like 1/2 to 3/4% : present. The wider spread is not entirely surprising in light f the greater volume of agency issues that has come to market ɛcently, but it is no more welcome for being explicable. Still, ›me purpose is served in having a yield advantage that draws investor attention to these high quality securities, and I am confident that in time the spread over regular Treasury issues will return to the earlier level and even less, because by then a degree of marketability will have developed for these agency issues that should compare closely with that for Treasury securities. The underlying quality is, after all, not essentially different from that of regular Treasury securities.

Thus far, most of the topics I have taken up seem to involve high interest rates -- and indeed, to inject a personal note, I seem to have been persued by this subject during my past six months at the Treasury. One other area into which this has led us is the current degree of keen interest rate competition for savings. For the past few years, and on an accelerated pace since last December, rates on various kinds of savings accounts have stepped ever higher -- and yet without achieving any noticeable increase in the over-all rate of savings. We don't have all the data to trace the process completely, but it looks as though rising rates on a variety of marketable securities placed commercial banks, mutual savings banks and savings and loan associations in a position of losing some funds to market instruments.

Commercial banks have managed to hold their own, in the aggregate, by raising their rates within the greater leeway permitted under Regulaion Q since last December. Mutual savings banks and savings and loan associations managed reasonably well in the first quarter of this year, but sustained large outflows in April -- aggregating more than $1.1 billion, and giving rise to concern that equal or greater outflows may ensue in months to come. The concern is not only for these thrift institutions themselves, but also for the mortgage market and homebuilding industry which are particularly dependent on funds from these specialized savings institutions. And the concern extends beyond this, too, to a feeling that we should avoid developments that could lead to a widespread -- and I believe unwarranted -- questioning of confidence in the general well-being of our financial institutions. For it is well to keep in mind in all of this that what starts out as healthy vigorous rate competition among generally sound institutions could veer off into destructive competition that would serve neither the saver, the borrower, nor the economy at large.

The issues raised in the current concern over competition for savings are complex. One is the matter of competition itself, for this has been a vital force in our economy and should not be set aside lightly -- even for temporary periods. Another issue is that of how much concern should be felt for the precise and particular impact of policies that must be set in broad terms and with a view to their broad effects. That is, if over-all financial policies are aimed at restraint, then the impact of that restraint must fall somewhere --

and yet if every candidate for restraint can find some way out, then what has been accomplished except to raise interest rates all around?

As you may be aware, the current pace of competition for savings deposits and other short-term funds has led to a variety of proposed remedies -- some of which remedies would produce conditions far worse than the conditions they sought to cure. For example, it has been proposed, in light of the vigorous bidding for funds by commercial banks, that the issuance of all negotiable certificates of deposit be abolished, or that the maximum interest rate on such deposits be rolled back sharply, or that fairly long minimum maturities be set on such deposits. Still other remedies aim at just the smaller sizes of bank time deposits, which have exerted a particular pull on the deposits in other thrift institutions, and seek to set a minimum size on certificates of deposit, or maximum rates on such deposits that would be lower than the maximum now permitted under Regulation Q.

Not too many years ago, most students of this area were inclined to encourage rather than restrain competition among financial institutions. Ceiling rates, it was widely suggested, should be put on a standby basis if retained at all. I would guess, however, that a poll of sentiment today would uncover many more observers who could see some value in retaining ceilings over rates, and perhaps encouraging competition to take other channels. At the least, many would feel that the current situation is one in which, if controls *were* on standby, this might be a time to exercise the option and temporarily apply a calming hand.

Reluctantly, we at the Treasury have concluded that this is a time when unbridled competition may be having some undesirable effects, and so, stepping in where a number of angels and others not so angelic have feared to tread, or at any rate avoided treading, we have offered some modest suggestions. If these suggestions could be capsulized in a word or two, we are in essence trying to say "cool it" to those who are being excessively aggressive in seeking to attract and retain savings funds. It would be too great an interference with the free play of market forces to restore all the flows of funds that have occurred, but we do feel that there is a value in seeking to stanch the outflow and contain the competitive forces that are vital to our economy in constructive channels.

In the spirit of fair play to large and small account holders alike, it might have been appropriate to place a restraining hand on savings accounts of all sizes -- for example by rolling back the maximum interest rates payable under Regulation Q to the 4-1/2% ceiling rate in effect until last December 6. The consequences of such a broad-based roll-back could be extremely disruptive, however, possibly causing far more of a liquidity squeeze and bind on specialized savings institutions than we have now. Moreover, it did not appear to us that aggressive competition for large denomination CD money was a significant direct factor in pulling money from other savings institutions and the mortgage market -- although some indirect effect of this nature cannot be denied.

The more direct effect, however, seems to stem from competition for smaller sized savings deposits, and it was in this context that we proposed giving the Federal Reserve authorities discretion to set a lower ceiling rate on time deposits up to the amount covered by FDIC insurance compared with the rate on larger deposits. Others have argued that the resultant $10,000 cut-off point (since that is currently the insured amount) is too low, and that greater economic significance would attach to some higher division point -- perhaps in the range of $25,000 to $100,000. Anything in this range of $10,000 to $100,000 would make sense to us.

Where some would cut the ceiling rate on smaller time deposits back to 4-1/2%, however, we have been arguing for a 5% level on several grounds. First it is less discriminatory against the smaller saver. Second, it does not encourage an outflow of funds from banks into market instruments to the same extent that a lower ceiling might do. Third, too low a ceiling, even on these relatively small deposits, could adversely affect our balance of payments. And fourth, unless other thrift institutions were also being held to 4-1/2% it did not seem approrpriate to force banks down to that level. A legislated differential in rates among different institutions is most unappealing.

We are under no illusion that our proposals, if adopted, would bring money pouring back into savings and loan associations and mutual savings banks. It would not, I am sure. We do feel that they would help to calm the atmosphere, though, and keep rates from escalating further to a new higher plateau. In the meantime we still face a possible problem in that a generally restrictive monetary policy bears down with special severity on the mortgage market and home building. If this is deemed to be too severe there are possible ameliorating measures that might be taken -- short of changing the whole mix of monetary and fiscal policies so that monetary measures would bite less sharply. One is to pump extra money into the mortgage market via net purchases by FNMA, which has in fact been going on apace despite continuing efforts to scale down buying prices and otherwise tighten up on the eligibility of mortgages for purchase.

Another avenue of amelioration is that of making loans available to savings and loan associations through the Home Loan Banks. This, too, has been used extensively in recent months, and may be called upon for further duty in July. Much of the Federal Home Loan Bank advances made in recent months has gone to meet withdrawals rather than support net expansion of mortgage portfolios, but even on this basis the volume of money made available by the Home Loan Banks did at least make it possible for the associations faced with withdrawals to use at least the flow from mortgage repayments to make some additional loans.

Had we known a year ago where our domestic interest rates would be today, we might have been solaced with the thought, or at least the ray of hope, that surely this must have put our balance of payments into good shape! Would this were true! Our domestic credit demands have indeed helped materially in some aspects of the payments program -- notably in helping banks not only to cut their outflow of loans but also to repatriate some money by reducing the outstanding volume of foreign loans. Corporations have also found that the combination of high domestic rates and substantial liquidity needs worked in the direction of making it a very natural thing to conform to the guidelines on short-term capital and even go beyond them in bringing benefit to the payments balance.

Unfortunately, much the same set of forces that is producing these higher interest rates is also affecting other elements of the payments balance adversely. Expenditures for Vietnam divert sizable sums of money to foreign hands, while the booming U. S. economy, which is also partly a result of Vietnam outlays, causes imports to jump much more than exports, and tends to worsen our already large tourist deficit. The earlier stated goal of balance-of-payments equilibrium in 1966 is looking harder and harder to attain. And yet the next steps to be taken are scarcely obvious. The obvious and/or acceptable steps have been taken already, and while we can expect our trading partners to be more patient with us in a period when our Vietnam commitment is a clear hindrance to reaching balance, it is not clear that we can avoid further steps for long. I won't pique your curiosity even to suggest in the faintest way what sort of strengthened program might be contemplated or recommended by the Administration, particularly since I do not know this myself.

One frustrating area, though, is that of capital exports. There seems to have been good cooperation here, but perhaps the guidelines have not been restrictive enough. Or perhaps the incentives to bring earnings back home have not been great enough. In any event it is curious that outflows continue, and even grow in some cases, although many reports suggest that the investments abroad are not really all that productive of profit but rather are aimed at some long-term market penetration with uncertain payoff prospects.

The tourist area is another one that frustrates us bureaucrats.

Last year's tourist deficit was $1.8 billion -- larger than our total deficit of $1.3 billion. This year the tourist gap may become still greater. Surely it would be better to close it by bringing more visitors here than by curtailing our own travel, but the prospects on either side seem unlikely to bring a quick solution. This is certainly an area where suggestions would be welcome -- directed at either side of this unacceptable gap.

In this review of current policy concerns, one unifying theme is that the present problems in the United States are mainly problems of prosperity, rather than of want. I won't go so far as to say that they are "happy problems," but they are preferable, surely, to the concerns that follow in the wake of unemployment and inadequate growth. We must show equal imagination and determination in resolving these problems, in the context of a free economy, to that which has been developed and applied in some past years to the problems of insufficient demand and sluggish economic growth.

REMARKS BY GERARD M. BRANNON
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UNITED STATES SENATE
WASHINGTON, D. C.
WEDNESDAY, JUNE 15, 1966, at 10 A.M. EDT

Mr. Chairman and Members of the Committee:

We appreciate this opportunity to state the views of the Treasury Department on the tax consequences of contributions to needy, older relatives.

The ultimate objective of this hearing is presumably to improve the economic status of the aged. The release announcing the hearing goes on to specify a means to obtain the objective, namely, tax incentives to encourage the contributions by the young for the support of older relatives.

First, as to the objective, it is clear that this Administration is concerned about improving the economic status of the aged. This is, for example, precisely what Medicare does. As it will operate this year, benefits will be provided to most of the existing aged; and these will in large measure be paid out of increased current payroll taxes on the working population.

The social security framework offers an eminently sound means of pursuing the objective of improving the welfare of the aged. Social security, along with other government retirement programs and the Old Age Assistance Program, offers means of assuring benefits to all in the older generation.

What is at issue then in the present hearing is not the objective of helping the aged but whether modifications of the tax law offer an efficient means of achieving this objective.

Before turning to the matter of amendments to the present tax law, it might be useful to review the special provisions in present law providing tax benefits for the aged.

Tax Benefits to the Aged

It is estimated that the aged enjoy roughly $2.3 billion of tax savings under present law due to the presence of special provisions. Some of the history of these provisions along with some description of their operation would be pertinent to this Committee's current project.

The exemption of railroad retirement income was enacted in the 1920's when the income tax contained high personal exemptions and only applied to a small portion of the population. It made little practical difference whether railroad retirement income was excluded. The exclusion for railroad retirement was not adopted by a tax committee of Congress but by the labor committees.

Social security benefits were exempted from tax not by law but by revenue ruling on the theory that they were gifts -- a theory inconsistent with the general treatment of pension income and with the general view of OASDI as a contributory pension system. In the 1930's it was still true, however, that the income tax applied only to the moderately high-income people; and it still did not make much practical difference whether social security was excluded. For both social security and railroad retirement, the usual tax rules would indicate that the recovery of the employee's own contributions should be tax free. For retirees in 1966, this would at most result in about 89 percent of OASI benefits being included in taxable income and 78 percent of Railroad Retirement benefits.

The double personal exemption for the aged was enacted in 1948. The Committee report explains that for many old people retirement savings had been accumulated at pre-World War II price levels, and the result of the World War II inflation was to make these retirement pensions less adequate, in terms of current purchasing power, than had been expected. Taxation of retirement income it was held had to be modified to offset some of the loss of purchasing power from inflation.

In the early 1950's there was increasing complaint about the apparent discrimination against other kinds of retirement income, compared to tax-free social security and railroad retirement payments.

In 1954 Congress enacted the first retirement income credit. This provided something like the exemption of social security income for other kinds of retirement income. It was structured as a credit in order that the benefit might be limited to the first bracket rate. It was designed so that if the particular retired individual did not get the maximum exclusion possible under social security he could still exclude some of his other retirement income. The provision under social security for reducing benefits for certain wage income was carried over to reduce the retirement income credit in the same fashion. Since 1954 the retirement income credit has been modified to take into account the situation of a husband and a wife both having established social security benefits and changes in OASDI benefits.

In the mid-1950's another tax benefit for the aged was adopted, namely, that the aged people in computing their medical deduction could use the full medical expenses and not be subject to the 3 percent of income floor provision applicable to other taxpayers. The basis of this was again quite cloudy. The floor provision deals with ordinary, routine kinds of medical expenses. Conceded that aged people might run into situations of protracted illness with heavy hospital bills, it is hard to see why their situation with respect to ordinary medical expenses is any different from, say, the young parent who has to take his child to the pediatrician for ordinary checkups. In any case, the special medical provision was repealed in 1965 at the time of the adoption of the extended benefit provisions under Medicare.

How effective are these provisions in improving the economic status of needy aged?

The most obvious feature of these provisions is that the tax benefits help the wealthy aged more than the poor aged.

The $2.3 billion of tax relief goes to about 11 million of the estimated 18 million aged. Only one-fourth of this goes to people whose incomes (including social security benefits) are less than $3,000. Only about one-half goes to people whose incomes, that is, their adjusted gross income plus social security and railroad retirement benefits, are below $5,000.

More importantly, very little tax relief is provided the aged with below subsistence income. For the most part, income taxes do not apply at money income levels that meet accepted definitions of poverty. Consequently, 7 million of the aged would be nontaxable under normal income tax exemptions and deductions applicable to all taxpayers even if they included social security and railroad retirement benefits in gross income for tax purposes.

Further, the progressivity of the marginal income tax rates creates more tax relief per dollar of excluded income as the income of the individual rises. When the tax benefit is constructed as a deduction, exemption, or exclusion of income, the size of the benefit depends on the marginal tax rate.

The duplication of benefits between the double personal exemption and the social security exclusion and retirement income credit means that only the better off aged can use both. With a double personal exemption a single aged person would have no tax until his income exceeded $1,500 a year, and an aged couple would have no tax until their income exceeded $3,000. In 1963 about 4 million persons over 65 were living alone, and 62 percent of these had total money income below $1,500. In that year there were about 7 million households where the head of household was 65 years old, and over 45 percent of these had total money income under $3,000.

We think that it is clear from these figures that the experience of using the tax law to help the aged produces an erratic and highly dubious system of benefits. You might keep in mind that given our existing budgetary needs the fact that $2.3 billion of revenue is lost by these provisions relating to the aged means that the individual tax rates on the whole taxpaying population are about 5 percent higher than they would otherwise be.

Tax Treatment of Persons Supporting Older Relatives

Having described generally the major provisions in tax law relating to the aged, let me describe how the present law operates in the specific area covered by these hearings, the support of older relatives. The law now grants relief to single adult children who support aged parents. Any single individual who maintains a household for a relative who qualifies as a dependent is entitled to use the head of household rates which give about half the benefits of full income splitting allowed to a married couple. In the case of a dependent father or mother, the taxpayer may qualify as head of household even though the parent lives in his own home. Any other dependent must live in the household of the taxpayer.

The law now grants relief to adult children who pay the medical expenses of an aged parent if the parent is a dependent of the taxpayer and if the medical expenses of the taxpayer exceed the statutory floor. A common deductible medical expense with an aged parent is nursing services whether provided in the home or in an institution.

Where an elderly dependent is in an institution because his condition is such that the availability of medical care is the principal reason for his presence there, the entire cost of medical care and meals and lodging generally constitutes medical expenses. Although the taxpayer is subject to a 3 percent floor with regard to his medical expenses (for himself, his spouse, and aged dependent beginning in 1967), the maximum dollar limitation on medical expenses will be removed for the tax year 1967 and thereafter.

As a result of the Social Security Amendments of 1965, the law beginning in 1967 will grant tax relief for adult children who pay for health insurance coverage of aged parents who qualify as dependents of the taxpayer. One-half of health insurance premiums up to $150 per taxpayer is deductible without regard to the medical deduction floor. The other half will be deductible as medical expenses but subject to the floor.

The provision generally known as the "child care deduction" permits tax relief for certain taxpayers who pay for the care of disabled dependents. The deduction applies to expenses for care of dependents who are physically or mentally incapable of caring for themselves, regardless of age. A deduction may be taken up to $600 for one dependent or to $900 for two or more for the costs of hiring someone to care for the dependent either in the taxpayer's home or in their home or in a nursing home. This deduction is available to a working woman, at any income level, if she is single, widowed, divorced, or deserted; to a man at any income level if he is widowed, divorced, or legally separated from his wife (but not if he is single). A married couple can use this deduction only if the care is required because both the man and wife are employed, and even then it is available only where the combined income of the husband and wife is low.

To summarize, existing law provides tax relief in certain cases for adult children who support aged parents, who pay medical expenses of aged parents, who pay for health insurance coverage of aged parents, and who pay for the care of disabled dependents.

There are no data available as yet to indicate how effective these provisions are operating. We do not know whether these reliefs are being used extensively nor do we know the financial characteristics of the adult children.

Expanded Tax Benefits for Contributions to the Support of Aged Relatives

The Treasury Department believes undesirable the enactment of amendments to the present tax law to provide further benefits for taxpayers with respect to contributions made for aged relatives. This specialized tax relief is an inefficient way to help aged people; it is unfair in its benefits between the aged in wealthy families and the aged in poor familes; and finally, it sets up undesirable precedents and complications in our tax law.

First as to the argument that these measures are inefficient. Any measure which provides tax relief for a taxpayer supporting an elderly parent will in the first instance simply reduce the tax on the younger taxpayer. It is entirely a matter of conjecture how much this will result in increasing the support payments to the aged relative.

The device of using the tax law to benefit taxpayers who contribute to the support of elderly relative is also unfair in that it benefits only taxpayers whose income is high enough to incur tax liability, and then it provides a benefit which increases with the size of income, due to the fact that deductions against higher tax rates are worth more than deductions against lower tax rates. Proposals which make it more convenient to provide for the support of elderly relatives out of investment income are particularly discriminatory in having application only to taxpayers who are wealthy enough to transfer assets to this purpose. In the last year the Department of Health, Education, and Welfare has reported "of the aged persons who lived in homes of relatives and who had less than $1,000 of income of their own in 1958 about one-third were members of families whose total money income was below $3,000; half were in families with less than $5,000."

Finally, special tax relief for support of aged relatives is a bad measure within the tax law both as a precedent and as a source of complication. We can certainly imagine situations where an aged relative deserves some additional support from the younger generation. Age, however, is not the only characteristic that strikes one's sympathy. Many parents have expensive support burdens in connection with putting their children through college or in handling the special costs associated with handicapped children. Extending special deductions for a wide variety of dependents would greatly complicate the tax law; and to the extent this reduced the revenue yield, it would force us to higher rates, canceling much of the intended benefits.

The Committee should keep in mind that there is considerable fuzziness with respect to financial arrangements between aged dependents and adult children. Among many families with an aged dependent, the dependent owns the home which is often free of mortgage. About one-third of the aged who live with their children own their own homes. Under these circumstances, there is a sort of quid pro quo arrangement by which the parent provides the shelter while the adult children provide food and clothing to the parent. The rent concession to the adult child, say, $150 a month, could easily cover the food and clothing costs of an elderly dependent. There is no justifiable reason for giving the adult child in this case credit for supporting an aged relative where in fact there is virtually a bargain or an accommodation that has been struck. In any particular situation the child may be providing more in the way of support for the parent than he receives in return, but as you can readily understand separating out the balance of these transactions would be often an impossible complication in developing the tax return. Instead of the parent providing the housing, it may often be that the parent provides considerable services. An aged parent, who is more often a widow than a widower, frequently takes charge of household responsibilities including cooking and child care. In all of these cases simply recognizing what part of the payments going from the children to the parents represent gratuitous support is an extremely complicated task.

Finally, the Committee might well consider whether the approach of increasing the dependence of aged people on younger people is the right way to deal with the problem of the aged. It has been the general characteristic of our social security system that a larger proportion of our aged couples has been able to choose to live an independent life, and it is also a result of the social security approach that an aged person is assured at least a minimum retirement income independent of the particular income fortunes of his children. Independence of the aged has become a widely approved value in our society. Of course this sociological question is outside the realm of our expertise, but we are aware that financial independence is often the major rationale for public income maintenance and service programs for the aged. For example, the recent Kerr-Mills amendments provide evidence that it is the Congressional intent to make the aged independent of their children for support. The new Title XIX of the Social Security Act (added by the Social Security Amendments of 1965) which establishes a medical assistance program (improving and expanding the provisions for medical care of the needy under the Kerr-Mills Act) provides that in determining qualification for such medical assistance the financial responsibility of an individual for an applicant for assistance may be taken into account only if the applicant is the individual's spouse or child who is under age 21 or blind or disabled.

In conclusion, it is important that your Committee consider the effectiveness of existing tax provisions which are directed at improving the economic status of needy aged, including those providing direct aid to the aged and those providing relief to adult children who support aged parents. Before urging new tax provisions, it should be recognized that a tax relief approach is erratic in its operation, often providing no benefit to those most in need. It is uncertain in its effect and the process of providing additional special rules in the tax law to achieve nonrevenue objectives undercuts the simplicity and integrity of the tax system.

President Johnson has expressed great concern about cost efficiency in government programs. In his 1966 Economic Report the President stated:

> "Benefits that the Government extends through direct expenditures are periodically reviewed and often altered in the budget-appropriation process, but too little attention is given to reviewing particular tax benefits. These benefits, like all other activities of Government, must stand up to the tests of efficiency and fairness."

It is therefore appropriate that such tests be applied to proposed as well as existing tax reliefs for the aged and their children.

I have discussed the subject matter of these hearings in general terms. If the Committee wishes, I shall be glad to answer questions about any specific proposals.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 15, 1966

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 $2,300,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing June 23, 1966, in the amount of $2,303,861,000, as follows:

91-day bills (to maturity date) to be issued June 23, 1966, in the amount of $ 1,300,000,000, or thereabouts, representing an additional amount of bills dated March 24, 1966, and to mature September 22,1966,originally issued in the amount of $1,000,273,000, the additional and original bills to be freely interchangeable.

182-day bills, for $1,000,000,000, or thereabouts, to be dated June 23, 1966, and to mature December 22, 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, June 20, 1966. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for each issue for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on June 23, 1966, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 23, 1966. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 15, 1966

FOR IMMEDIATE RELEASE

MERLYN N. TRUED RECEIVES THE ALEXANDER HAMILTON AWARD

Secretary of the Treasury Henry H. Fowler today presented the Treasury's Alexander Hamilton Award to Merlyn N. Trued, who resigned last week as Assistant Secretary of the Treasury for International Affairs.

The Alexander Hamilton Award is the Treasury's highest honor. It was established in 1955 to "give recognition for outstanding and unusual leadership in the work of the Treasury Department" and "to be awarded to those whose leadership in the Treasury is such as to bring outstanding and unusual services and benefit to the Government and so to the people of our Nation."

"No words," Secretary Fowler remarked, "could seem more deliberately designed to describe Merlyn Trued's career at the Treasury."

Mr. Trued, who is 43, resigned from the Treasury to become senior Vice President of the Central National Bank of Cleveland, Ohio.

Mr. Trued came to the Treasury in 1963, from the Federal Reserve Bank of New York where he was Assistant Vice President in the Foreign Department. He lived at Ridgewood, New Jersey, before coming to Washington.

At the Treasury he has been principally concerned with the United States balance of payments, foreign exchange problems, and gold markets.

Mr. Trued is a native of Ceresco, Nebraska. He attended public schools at Tribune, Kansas, and is an honor graduate of the University of Oregon. He received graduate degrees from the University of Virginia. He is a Major in the Marine Corps Reserves. He is married to the former Josephine Schafer of Perry, Kansas.

The citation accompanying Mr. Trued's Award is attached.

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CITATION

Alexander Hamilton Award

Merlyn N. Trued

This award is made in recognition of your considerable achievements in the Treasury Department, culminating in your service during 1965-1966 as Assistant Secretary of the Treasury for International Affairs.

You have faced problems of great complexity and importance and have brought rare skill and imagination to their solution. In your work on the balance of payments, on international monetary reform, in establishment of the Asian Development Bank, and in keeping the cloth of international financial cooperation whole and sound, you have created new tools and institutions that comprise an invaluable legacy for others to utilize in meeting the challenges of the future.

Because of your wisdom and dedication, the dollar has been made more secure. The nation is thus better able to meet its commitments to its citizens and its allies. This award, named in honor of the first strong defender of the dollar, is presented in recognition and in gratitude.

TREASURY DEPARTMENT

WASHINGTON, D.C.

June 16, 1966

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 June 30, 1966, in the amount of $3,301,943,000, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated June 30, 1966, and will mature June 30, 1967, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving time, Thursday, June 23, 1966. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e: g., 99.925. Fractions may not be used. (Notwithstanding the fact that these bills will run for 365 days, the discount rate will be computed on a bank discount basis of 360 days, as is currently the practice on all issues of Treasury bills.) It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on June 30, 1966, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 30, 1966. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT
Washington

FOR RELEASE: UPON DELIVERY

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AT
THE WHITE HOUSE CONFERENCE FOR
STATE LEGISLATIVE LEADERS
EXECUTIVE OFFICE BUILDING
THURSDAY, JUNE 16, 1966, AT 2:00 P.M., EDT

The theme of this conference is encouragement of greater intergovernmental cooperation in our Federal system.

The President, in his State of the Union Message, urged that we, and I quote, "move on to develop a creative Federalism to best use the wonderful diversity of our institutions and our people to solve the problems and to fulfill the dreams of the American people."

My frame of reference is the financing of government. So I would like to discuss with you some of the problems and prospects we share in the financing of urgently needed public programs.

In the eyes of many, the pricetag is the most significant part of any government program. Often the pricetag is the controlling factor, regardless of the need for a particular activity.

In their understandable preoccupation with cost, many people see the Federal government only in terms of budgets of $100 billion and more, millions of employees, and a vast national debt.

Most people are unaware -- and would be surprised to learn -- that the State governments today, taken collectively, also constitute a vast enterprise of some two million employees with budgets totalling some $45 billion a year.

Further, while the national debt has decreased from 58 percent of total debt, public and private, in 1946 to 22 percent at the end of 1965, State and local debt has risen from 4 percent to 7 percent of total debt.

Those few surface observations reflect both the growth of the State governments and the magnitude of the problems they are grappling with today. Your presence here, I believe, reflects the ferment taking place in the States -- the new vitality which has renewed your determination to meet your challenges and spurred your search for new ideas and new resources.

Your problems are immense in such fields as education, health, welfare, transportation, conservation, urban development, economic development. Your sources of revenue are necessarily limited and uncomfortably close to you. The sharpness of this dilemma has, understandably, led many to conclude that Washington should take up the financial slack.

There is an obvious attraction in the idea that the Federal government, with its vast resources and its seeming remoteness from the taxpayers, should share its good fortune by making a strikingly larger contribution to the revenues so urgently needed by the States and their creatures, the cities.

Federal grants to States for specified purposes have been around for a long time. They have increased markedly in recent years. Recently, however, the idea of grants without any strings has been gaining in prominence. The economist Milton Friedman proposed such grants to replace the existing system of grants-in-aid.

Of course, the Friedman plan did not get very far because there was no general sentiment for giving up the existing grants. A later variation was developed which removed this inhibition. It was to provide such blank-check grants in addition to existing grant-in-aid programs. This more popular version came to be known as the Heller plan, named for the former chairman of the Council of Economic Advisers.

The essence of the plan is that Federal revenues would be set aside in an amount equal to one or two percent of the Federal individual income tax base. This sum would be distributed to the States for general government purposes -- with no strings attached -- on a per capita basis.

I didn't come here to shoot the Heller plan down. I understand its attraction.

But I believe it is essential to keep this plan -- and the many similar and related plans -- in proper perspective.

When Mr. Heller proposed the plan in late 1964, his prognosis for the Federal budget was that revenues would rise $4 to $5 billion a year faster than expenditures, due to continuing economic growth. He could not have known that the growth in the demands of Vietnam would soon increase Federal expenditures more than twice that total annually. The fact is that for the period immediately ahead, there will be no surplus Federal revenues which could be distributed to the States without creating severe inflationary pressures.

Further, at the time the Heller plan was proposed, most observers did not believe that a comprehensive program for federal aid to education could be enacted.

In the last 10 years, total Federal aid to State and local governments has more than tripled, rising from $4 billion in 1957 to the $15 billion budgeted for 1967. Federal aid payments accounted for approximately 15 percent of all general revenues available to State and local governments in 1965. A Council of State Governments study, soon to be published, shows that in 1946 the State and local governments received $1.00 from the Federal government for every $13.50 they raised from their own resources. But, in 1964, they received $1.00 in Federal funds for every $5.80 of their own revenues. I cite these figures only to show that there is convincing evidence of Federal recognition of the need to assist State and local governments with their financial problems.

We all recognize the need for cooperation among the levels of government in the field of finances. But we don't always remember that cooperation is a two-way street. And sometimes a cooperative effort goes wrong. This is always a disappointment, although it can usually be remedied if the will to cooperate is maintained.

One example of a cooperative effort which has turned into a disadvantage for both the Federal government and at least some of the States is of particular interest to me.

For some time I have shared with many others, some in the Administration, some in the Congress, and some in responsible financial positions in State and local governments, a growing concern about certain uses of the tax-exemption privilege which is accorded to State and municipal bonds.

Since the inauguration of the Federal income tax in 1913, the interest on obligations issued by States and their political subdivisions has been exempted income. The justification for the exemption is that it reduces the cost of State and local borrowing done for the purpose of carrying out essential Government functions. But, as with any wide-ranging exemption, applications which could not be foreseen when it was granted have occurred.

One area that has raised doubts and discussion over the years has been the use of industrial development bonds. This practice has been defended on the ground that it helps to bring industry to low-income labor-surplus areas. Thoughtful critics, however, have prophesied that the practice would eventually become self-defeating. Recent experience appears to support their view, since the use of this type of bonding is growing and the advantage to any State or municipality decreases as more States and localities enter the field. This practice merits careful attention and is currently under study.

In recent years, new financial arrangements involving use of the exemption have arisen which have caused serious concern. One of these is arbitrage, which arises when the principal purpose of floating State or local bonds is to buy U. S. bonds with the proceeds and realize a profit from the difference between the interest rates on tax-exempt and taxable securities. The variations in the practice are almost infinite. The buyers of the tax-exempt bonds are, in reality, only purchasing U. S. bonds indirectly. Their tax exemption is diverted to make a profit for a State or municipality.

As another example, some States and local governments are issuing tax-exempt bonds to finance commercial enterprises, which they operate in competition with private enterprise. To date, these transactions have been confined to real estate which is leased to private parties. But other commercial uses may be found. While the amount of bonds issued for this purpose has so far been small, there is every indication that it will be substantial in the future unless curbed. For example, one issue now proposed would involve over $500 million.

The Federal government is sympathetic with the need of States and municipalities to meet their financial problems. But we cannot condone extension of the tax exemption to these new financial arrangements as a means of accomplishing those objectives at the expense of the nation's taxpayers.

These arrangements, moreover, by greatly increasing the total of exempt bonds outstanding, will eventually drive up the interest rates paid by all States and municipalities for their borrowing. Yet there will be no commensurate increase in public service to compensate for the cost to the taxpayers.

If legislation is enacted, or if administrative measures are adopted, which exclude these arrangements from the benefits of the exemption, I hope no one will be misled into thinking that we are launching an attack on the basic interest exemption for State and local borrowing. Quite the contrary, as with any exemption, curtailment of uses which cannot be condoned is a condition necessary for preservation of the exemption for its intended uses.

Although it has required me to speak in somewhat negative terms, I have taken the time to talk about Federal revenue-sharing and considerations involving the tax exemption for State and municipal bonds because I know the former subject is one of great interest to you and the latter is of great interest to me.

But it would be a travesty to lose the great opportunity which this conference provides by giving it a negative tone. To say we have problems, I believe, is simply to describe the human condition. But the future has never looked brighter than it does now for a great cooperative -- and successful -- attack against the problems we share.

We have stopped looking at our Federal system of government as if it were composed of three totally separate and independent layers -- local, State and national. We have recognized that, in our Federal system, responsibilities are mixed and inseparable and relationships are close and binding.

We know that action at one level often affects all levels, and we know that action which is harmful to one level cannot, in the long run, be beneficial to the others. We realize that successful action undertaken by one level of government, in meeting what it regards as its own responsibilities, frequently results in handsome benefits for the others.

Many examples of this interrelatedness come to mind, but none serves better than the Federal fiscal policies of the last five years which aimed at stimulating the economy. Tax reduction played a major role in the economic resurgence which has now brought us into our sixth year of expansion. The addition of resources on which the States and municipalities can draw and which have come into existence in this period of vigorous growth far outweighs the advantages that would accrue from any revenue-sharing formula. The Federal government, taking action on a national scale to foster economic growth, has broadened and reinforced the revenue base from which all levels of government derive their sustenance.

Our accomplishments are not all in the past. I have spoken of the heightened vitality of the States. But do not underestimate the power of President Johnson's concept of creative Federalism at the Federal level. This concept makes clear that the various levels of government are -- and must be -- members of a partnership in which each has definite -- though differing -- responsibilities with respect to each function and activity. The President charged his Administration to take the initiative in these words:

> "Many of our critical new programs involve the Federal Government in joint ventures with State and local governments in thousands of communities throughout the Nation. The success or failure of those programs depends largely on timely and effective communications and on readiness for action on the part of both Federal agencies in the field and State and local governmental units. We must strengthen the coordination of Federal programs in the field. We must open channels of responsibility. We must give more freedom of action and judgment to the people on the firing line . . ."

It is obvious that the cooperation required by this approach to Federalism must extend throughout the financial field if our mutual efforts are to be successful. We have a long and proud record on which to build. Behind the President's leadership we intend to advance the concept of creative Federalism to the farthest limits of our imagination and energies.

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TREASURY DEPARTMENT
Washington

FOR RELEASE: UPON DELIVERY

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AT
THE 73RD ANNUAL CONVENTION
OF
THE VIRGINIA BANKERS ASSOCIATION
AT THE HOMESTEAD, HOT SPRINGS, VIRGINIA
FRIDAY, JUNE 17, 1966, 10:45 A.M., EDT

Over the last two months I have had the pleasure of meeting with distinguished groups of bankers in Phoenix, Arizona, in Charlotte, North Carolina, and in Granada, Spain. So after all that traveling, it is good today to be home -- and to meet with the bankers who play so important a role in the economic and financial affairs of my home state of Virginia.

In these earlier meetings with banker groups, I discussed in some detail the whole broad range of international economic and financial affairs in which this nation is heavily involved -- including our balance of payments, Free World monetary reform, Free World trade, Free World capital markets, and Free World development assistance -- as well as the impact on and the implications for our financial institutions of current excessive demands for credit.

So today, here at home, I want to look at our national economy as a whole, at some of the basic problems at hand and prospects ahead in the perspective of our experience of the past -- for the soundness and strength of our national economy underlies, not only the success of all our efforts in the world at large, but the soundness and strength of Virginia's economy as well as the economy of every other state in the Union.

Five years ago, when this decade began, our economy was mired in its fourth postwar recession. Our performance in the past offered us little hope for the future. To look back, indeed, was only to become acutely aware that the three earlier recessions had been followed by successively shorter and weaker recoveries, and that the previous recession had produced what still remains the largest peacetime budget deficit in our history. Unemployment was intolerably high -- 6.8 percent in February 1961, the recession trough. Business investment had for years failed to maintain anything like adequate levels of growth and remained far less than we needed to generate more vigorous economic growth -- industrial plant and equipment, in the first quarter of 1961, was operating at only 78 percent of capacity, compared to the optimum rate of 92 percent desired by most businessmen.

Indeed, there were even some who seemed to suggest we had to resign ourselves to accepting as a kind of law of economic life, as an unhappy but inherent characteristic of our economic system, this rhythm of recession and inadequate recovery and the high rates of unemployment it inevitably entailed.

Yet we emerged from that recession of early 1961 and entered an expansion that has become the longest and strongest in our nation's history -- an expansion that has displayed no propensity to return to the patterns of the past.

During the five years between the first quarter of 1961 and the first quarter of 1966, our Gross National Product grew by $210.3 billion. We get some idea of what an awesome feat that is when we consider that that increase alone -- this five year icing on the cake -- exceeds the total Gross National Product -- not the increase, but the total -- of France and Germany combined, of France and Great Britain and Spain combined. Thus, the mere growth of our economy in the past five years exceeds the combined output for an entire year of two of the most productive nations in the Free World.

Or to put it another way: In the concluding half-decade of the Fifties, our economy grew at a real annual rate of only 2.2 percent -- far lower than that of virtually all other major countries. In the half-decade just ended, our real growth rate rose to 4.6 percent -- an immense improvement. And last year it grew by 5.5 percent -- and as a result we surged ahead of every other major country in the world, except Canada.

That surge in real output reflected one of our most impressive achievements over the last half-decade -- a record of price stability unequalled by any other major country in the world -- a record surpassed by no other industrial nation and by only three small countries -- Guatemala, El Salvador and Venezuela.

And as our economy has continued to expand, so have real incomes and real profits -- and our unemployment rate has continued to fall.

For the first five months of this year, our unemployment rate has averaged about 3.8 percent -- below our long-sought "interim" target of 4 percent, and well under the averages of 4.6 percent for 1965, 5.2 percent for 1964, 5.7 percent for 1963, 5.6 percent for 1962, and 6.7 percent for 1961.

Between the first quarter of 1961 and the first quarter of 1966, per capita disposable personal income -- even after adjustment for price changes -- grew by 20.8 percent. And even in the year just past, when price indexes showed a steeper rise than in earlier years, per capita disposable personal income grew by 4.8 percent in real terms.

To put it in even clearer focus: while consumer prices have risen by 8.3 percent since February 1961, the average weekly wage of a factory worker has risen by a full 26.0 percent -- more than three times the rise in consumer prices.

This expansion has also meant a strong and steady rise in after-tax corporate profits -- in contrast to earlier expansions when profits after taxes would show a strong early surge and then succumb to the growing squeeze exerted by increased labor and other costs. Thus, after-tax corporate profits last year stood at $44.5 billion -- up from $37.2 billion in 1964, $32.6 billion in 1963, $31.2 billion in 1962, $27.2 billion in 1961, and $26.7 billion in 1960. And, according to preliminary estimates, corporate after-tax profits continue to surge ahead -- rising to a record annual rate of $48.4 billion for the first quarter of this year, compared to an annual rate of $45.9 billion for the prior quarter.

These were the extraordinary gains produced by our private economy in response to a mix of national economic policies whose whole aim was to create the kind of climate in which the private economy could find the confidence and the incentives to do its job.

The question before us in 1961 was how best to revive our economy and restore its capacity for strong and sustainable growth. In fiscal policy, we had essentially two choices: whether to increase government expenditures or to reduce taxes -- whether to rely, in other words, upon the renewed energies of the private sector or upon expanded government activity.

We chose, as you know, to reduce taxes and to restrain the growth of Federal expenditures, for we were firmly convinced that the private economy simply could not do its job unless it were sufficiently freed from the burden of excessively high wartime tax rates -- rates originally applied to restrain the strong inflationary pressures that accompanied wars and national emergencies.

Through the investment credit of 1962, the depreciation reforms of 1962 and 1965, the Revenue Act of 1964 -- and to some extent through the Excise Tax reductions of last year -- we moved to diminish the burden of wartime tax rates upon the private economy and thus to furnish it with renewed opportunity and fresh incentives to help meet our basic economic needs.

All these tax measures have reduced the Federal tax burden by a total of $18 billion at fiscal 1966 levels of income. Yet Federal revenues between fiscal 1966 and fiscal 1961, excluding those affected by the tax changes adopted this year, have grown by $23.3 billion -- more than twice the revenue growth during the previous five year period, between fiscal1956 and fiscal 1961, when there was no tax reduction.

To this basic fiscal policy of Federal tax reduction and expenditure restraint, we coupled a monetary policy aimed at insuring an adequate availability of money and credit for domestic needs while helping our balance of payments efforts by maintaining short-term domestic rates at levels comparable to those abroad.

As a result of this overall economic policy mix, and its success in cultivating a climate within which the private sector could flourish, we came last year to the point where we were closer than at any time in our history to the simultaneous achievement of our four paramount economic goals: strong and stable economic growth, full employment, reasonable price stability and equilibrium in our international balance of payments.

And so I am sure you recall how, a year ago, economic experts in both the public and private sectors were giving a good deal of attention to the longer-range problem of making a smooth transition from an economy trying to reach a level of peak performance to an economy trying to maintain that level of performance.

Over the near-term, our concern was that the economy would falter and flatten out before we reached our goal of full employment in a balanced economy. Over the longer-term, we were concerned with the whole spectrum of challenging problems and exciting opportunities that would present themselves once we had, in fact, reached full employment -- in particular with the problem of forging ahead at full employment levels of activity without inflation.

It was in the very midst of this growing concern over the longer-range economic outlook -- and over the current outlook in that context -- that, in July of last year, there began the intensification of hostilities in Vietnam that has since altered our economic picture.

For as increased defense spending for Vietnam began to give added impetus to economic demand -- at a time when special supply factors were emerging which would put severe temporary pressures upon the prices of farm products and processed foods -- our concern over the prospect of an economic flattening out rapidly disappeared. And it was rapidly replaced by a concern that our economy might be moving at so rapid a rate as to result in serious inflation.

But nothing has happened since early last year to render any less urgent our concern over the problem of making a smooth transition into a period of steady and sustained economic growth at full employment. Indeed that concern must today be more urgent than ever -- for today we are on the threshold of that transition period, if we have not entered it already.

What that transition involves is essentially this: Over the past several years we have been able to sustain very high real rates of growth -- 5 percent in 1964 and 5.5 percent in 1965 -- by putting to productive use not only new capacity and new entrants into the labor market, but also idle capacity and the unemployed. But in the years ahead our rate of overall economic growth will have to rest almost entirely upon the rate of growth, in quantity and quality, of new capacity and new manpower. For we have nearly used up the economic slack represented by the large measure of idle capacity and the large number of unemployed workers of recent years.

The President's Manpower Report for this year estimates that our labor force may grow by almost 2 percent annually through 1970. Allowing for some further decline in the unemployment rate, some reduction in hours worked, and assuming the continuance of recent productivity trends, this could mean an average annual rate of real growth as high as 4½ percent. This figure does not, of course, represent a forecast. Rather it is simply a feasible projection of one economic pattern likely to emerge as we move to a more moderate rate of growth in the years ahead.

Our task today, therefore, is to make a smooth shift from the very high growth rates of the recent past to a somewhat lower but still historically high level of steady, sustainable growth -- to slow down without stalling. And we must accomplish that task amid all the uncertainties that Vietnam introduces into our economic picture.

The Administration, as you know, considered the threat of inflation serious enough to require a significant shift from a fiscal policy of steady stimulus to demand to a fiscal policy of moderate restraint. And President Johnson has made it abundantly clear that he will not hesitate to apply or to recommend further fiscal restraints should these become necessary.

Whether such restraints will become necessary remains very much an open question. There are, to be sure, indications that, while the economy is still moving strongly ahead, it is not moving as rapidly as it was earlier this year. But the situation is still uncertain enough to require our continued readiness to adopt whatever further restraints events may clearly demand. And perhaps the most important area of present uncertainty and concern is whether and to what extent Congressional action on the President's fiscal 1967 requests for new appropriations will raise the total of government spending for that year significantly beyond the level proposed in the President's budget.

But before we consider the question of that budget -- and the current need for restraint -- I think we would do well to consider the whole question of Federal expenditure control, of Federal debt and Federal deficits, in the light of our experience over recent years.

Let me begin by citing some very revealing figures. While Federal debt in the aggregate has grown from $259.5 billion in 1946 -- the great bulk of which was incurred in the two World Wars -- to $296.5 billion in 1961, to $321.4 billion in 1965 -- it has declined from 117.2 percent of our national output in 1946, to 54.6 percent in 1961, to 45.5 percent in 1965. At the same time, corporate debt has grown from 49.9 percent of our national output in 1946 to 73 percent in 1961, to 77.5 percent in 1965.

Or to take another perspective: Federal debt has fallen from 58 percent, in December 1946, of the total estimated debt for the United States as a whole, to 29 percent in December 1960, to 24 percent in December 1964, to 22 percent in December 1965. At the same time, corporate debt as a share of our estimated overall debt has grown from 25 percent in December 1946, to 36 percent in December 1960, to 37 percent in December 1964, to 38 percent in December 1965.

Or to put it in less impersonal and perhaps even more striking terms: in 1946 our per capita national debt exceeded our per capita national output -- $1,817 compared to $1,580. By 1961, however, our per capita national output had grown to $2,958, substantially greater than our per capita national debt -- which had fallen to $1,600. And by 1965, our per capita national output had risen to $3,626 -- more than twice our per capita national debt, even though that had risen slightly to $1,641.

These figures, I think, tell several interesting stories. First, they ought to make clear that, while our debt has grown in recent years -- as in most years since the war -- our ability to bear that debt has grown far more. I do not suggest it is no longer important -- for it is important -- for us to aim at a balanced budget or a budget surplus in a strong economy, and to contemplate some measure of debt retirement as our budgetary and economic circumstances allow. I suggest simply that the Federal debt no longer presents the great overhanging problem it once presented when it loomed so large in relation to our economy and when our economic growth was not nearly so strong and balanced as it has been in recent years.

Second, these figures reveal something about our private debt. For the fact that, even over the past five years when corporate profits have experienced such an awesome surge, corporate debt has continued to rise as a percentage both of overall debt and of our national output -- that fact ought to suggest that there is some profit in the kind of investment that debt represents.

But beyond the question of Federal debt, there is the whole question of Federal expenditure policy. And here again the record of recent years is most revealing.

Indeed, I would suggest that what we have witnessed in recent years is a very real -- if highly unrecognized -- revolution in expenditure control. That revolution had its roots in the decision to generate strong and steady economic growth by reducing Federal taxes rather than by raising Federal expenditures. Indeed tax reduction implied expenditure restraint, since it meant an initial and temporary lag in the growth of Federal revenues.

Section I of the Revenue Act of 1964 declared -- and I quote:

> "It is the sense of Congress that the tax reduction provided by this Act through stimulation of the economy, will, after a brief transitional period, raise (rather than lower) revenues and that such revenue increases should first be used to eliminate the deficits in the administrative budgets and then to reduce the public debt. To further the objective of obtaining balanced budgets in

> the near future, Congress by this action, recognizes the importance of taking all reasonable means to restrain Government spending . . . ."

And President Johnson has more than redeemed that pledge by personally spearheading the most persistent and productive expenditure control effort ever witnessed in Washington.

And the results are remarkable. Federal expenditures for fiscal year 1964, when President Johnson assumed the responsibilities of the Presidency, were originally estimated at $98.8 billion. The expenditure target for fiscal 1966, the third year of his service was fixed in January of last year at $99.7 billion -- less than $1 billion higher than the original estimate for fiscal 1964.

Then, last July, events in Vietnam changed the picture -- requiring additional expenditures of some $4.7 billion. Other increases also occurred -- increases, both unforeseen and unavoidable, which totalled a net $2 billion. These included $740 million of military pay raises and an additional $288 million increase in veterans pensions voted by Congress in excess of Presidential recommendations,a $500 million increase in interest charges on the debt and two further increases of $500 million each as a result of payments required by law under the space and agricultural programs. All of these increases -- which President Johnson could neither anticipate nor effectively control -- more than wiped out economies realized by both Administration and Congressional action since the original budget estimate for fiscal 1966. And in doing so they obscured one of President Johnson's truly extraordinary accomplishments -- the fact that, excluding these increases, President Johnson in nearly three years in office had held the total increase in administrative budget expenditures to less than $1 billion over the amount originally estimated for the fiscal year in which he assumed office.

Indeed, the President's non-Vietnam expenditure proposals in the fiscal 1967 budget total $102.3 billion -- only $3.5 billion higher than the $98.8 billion proposed in the fiscal 1964 budget, and that increase is more than accounted for by just the cost during that period of Federal pay increases and increased interest on the public debt.

Compare this increase of less than $1 billion a year with the average increase in the budget of $3 billion per year over the previous ten years. View it in the context of the report issued in January of 1961 by President Eisenhower's last Director of the Budget, Mr. Maurice Stans, which pictured the outlook for Federal expenditures over the next decade. That report concluded that rising population and income, and the resulting normal growth in the Federal workload, would tend to raise non-defense expenditures in the Federal budget by $2-2½ billion a year throughout this decade. Look at what President Johnson has done against this background, and we begin to realize how really remarkable his accomplishment is.

Joined with rising Federal revenues from rising economic activity, the President's program of rigorous expenditure control has allowed us to meet urgent national needs while at the same time reducing the Federal deficit.

The record is clear: the 1964 budget submitted three years ago forecast a deficit of $11.9 billion premised, in part, on major tax reduction. This figure was reduced to an actual fiscal 1964 deficit of $8.2 billion.

Last year's budget contained an estimated deficit for fiscal 1965 of $6.3 billion. This was trimmed down to $3.4 billion.

The Budget submitted in January of last year estimated the fiscal 1966 deficit at $5.3 billion. As a result, however, of growing revenues from a rapidly expanding economy and from the tax changes enacted earlier this year -- and despite $4.7 billion of increased expenditures due to Vietnam -- we now expect a deficit of only about $3.9 billion for the current fiscal year.

Had it not, in fact, been for the increases projected for Vietnam expenditures in fiscal 1966 and fiscal 1967 since the 1966 budget was originally submitted in January 1965, we could have used the fiscal dividends furnished by this continued expansion to balance the budget in fiscal 1966 and 1967 and still have had room for some increases in civilian expenditures, or for additional tax reduction, or for some reduction of the national debt.

In fact, in a recent statement of "Estimates of Federal Receipts for the Fiscal Years 1966 and 1967" prepared by the staff of the Joint Committee of the Congress on Internal Revenue Taxation, the estimates of revenue for the fiscal year 1967 indicate a potential surplus in the administrative budget of over $3 billion on the assumption that Federal expenditures can be held within the overall total of $112.8 billion contained in the President's budget. Without in any way endorsing these revenue estimates, I cite them simply to show that our budgetary prospects for fiscal 1967 -- if we have the will and the wisdom to remain within the overall expenditure bounds of the President's budget -- are, from our present vantage point, excellent.

There could be no better testimony to the unrelenting rigor of President Johnson's efforts to control Federal expenditures than his success in obtaining results like these in the face of such severe difficulties. The success of any such campaign -- as most of you know from your own experience -- depends upon insistent, intensive leadership -- leadership that will allow for no let-up and that will accept nothing less than maximum efficiency and maximum economy -- leadership that requires constant and continual accounting from every responsible official on every program and every activity under his supervision. That is the kind of leadership that President Johnson continues to exert -- the kind of leadership that has instilled in every Federal employee at every level of responsibility an acute cost-consciousness, and that engages his best efforts to seek out new ways to do the job better at less cost.

We see the results of this leadership in the budget for fiscal 1967 -- a budget in which, by a process of selective increases and decreases, the President was able to hold down the total increase in all budget expenditures other than the increase in special Vietnam costs to only $600 million. This net increase of $600 million includes both some substantial increases and some substantial decreases. It includes increases of $3.2 billion for Great Society programs, $800 million for higher interest charges on the public debt, and $1.3 billion for unavoidable commitments such as construction already in progress. It includes decreases of $1.6 billion in defense outlays unrelated to Vietnam, $1.5 billion in savings through pruning lower priority programs, through management improvements and through the non-recurrence of certain costs, and $1.6 billion resulting from increased sales of mortgages and other financial assets and from the further substitution of private for public credit.

Thus, to talk about expenditure control solely in terms of expenditure totals is to tell only half the story -- for we receive the greatest benefits from the President's insistent emphasis on cost reduction and program evaluation in the urgent new programs it enables us to afford through savings on those of lesser urgency and through greater productivity in existing programs.

This, then, is one very real source of funds for financing new and urgent Great Society programs: the savings we accumulate from reduced costs and increased productivity everywhere possible. We expect that our efforts to reduce costs and increase productivity will result in savings for fiscal 1967 of $3.8 billion, compared to fiscal 1964. In other words, to carry out the activities proposed in the fiscal 1967 budget would cost us $3.8 billion more -- or $116.6 billion rather than the projected $112.8 billion -- were we to operate at the 1964 level of efficiency.

Yet at a time when the need for restraint is so great -- at a time when, barring higher levels of expenditure for Vietnam than we can now foresee, the prospect of a balanced budget or even a budgetary surplus in fiscal 1967 is a very real one -- we must face the fact that the Congress may add some $2 billion to $3 billion to the President's expenditure proposals for fiscal 1967.

The Congress, of course, has a very real responsibility to make its own judgments about the merits of specific programs and specific expenditure requests. And the President fully recognizes that responsibility. But the point is not that the Congress must agree on specific details or specific programs. The point is that, while fully working its will and exercising its Constitutional prerogatives -- while reviewing with the greatest care every proposal before it -- and while revising and reshaping these proposals -- the Congress must also make every effort to assure that, when it has done its job, the total cost of the programs they have enacted does not significantly exceed the total cost of the programs the President has proposed for fiscal 1967.

For how well we succeed, in the days and months ahead, in sustaining the strength and stability of our economy -- while avoiding inflation -- depends very much on how the Congress -- as well as the Administration and indeed all Americans -- exercises its responsibilities for moderation and restraint.

I would indeed be remiss if I did not, today, pay tribute to this audience for a very special contribution its members are making to a sound and strong economy. I speak of the invaluable assistance which the bankers of Virginia have given -- and are continuing to give -- to the United States Savings Bonds Program.

For the past three months, sales of Savings Bonds throughout the nation have been the best in 10 years. Sales of Series E Bonds have been the best in any peace-time year, breaking all records that have existed since 1945.

Working together, Government and industry, bankers and businessmen are, each day, signing up hundreds of new savers in the Payroll Savings Plan.

In industry -- led by Lynn A. Townsend, President of the Chrysler Corporation and Chairman of the U. S. Industrial Payroll Savings Committee -- new payroll sign-ups are 56 percent higher for the first five months of this year.

In Government -- reflecting the great impetus provided by President Johnson and Postmaster General Lawrence F. O'Brien, Chairman of the Interdepartmental Payroll Savings Committee -- there have been 400,000 new savers signed up during the current campaign. And 50,000 Government employees have increased the payroll deductions that they are channelling into Savings Bonds.

Today, there are an estimated $750 million worth of bonds outstanding in the hands of Virginians who are realizing an estimated annual income of $25 million in interest on these bonds. And all of these totals should be surpassed in this 25th Anniversary year of the Savings Bonds Program.

And, when they are surpassed, it will be due, in large measure, to the excellent efforts of such long-time Savings Bonds supporters as Bill Branscom of the First National Exchange Bank of Roanoke; Jim Rawls of the State Planters Bank of Richmond; George Gosey of the Fidelity National

Bank of Lynchburg; Wirt Shapard of the Bank of Halifax, American Bankers Association Virginia Chairman for Savings Bonds; and others of our good Virginia friends. As you know, Bill and Jim and George are spearheading the Urban Center Campaigns in their respective communities.

It is a simple but salient fact that banking and bankers service the Savings Bond Program. Bankers provide much of the essential volunteer leadership upon which the program so largely depends. Sixty percent of the state and county chairmen for Savings Bonds come from the field of banking.

And banks help advertise and publicize Savings Bonds. Last year, approximately 25 million letters were mailed by banks to their customers urging them to buy Savings Bonds. If present indications hold true, that figure should rise to better than 30 million letters this year.

So, it is indeed appropriate that I now present this citation to Sutton Flythe, President of the First National Bank of Martinsville and the distinguished head of your state association, for the patriotic support rendered by the bankers of Virginia to the Savings Bonds Program.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 16, 1966

FOR RELEASE A.M. NEWSPAPERS
FRIDAY, JUNE 17, 1966

TREASURY BLOCKS FUNDS TO VIET CONG

The Treasury Department today announced that it has blocked $1,500 in the accounts of the Czech Obchodni Bank of Prague for transmitting two contributions from the U. S. to a Viet Cong organization.

The purpose of the blocking is to deprive the Viet Cong of the foreign exchange benefit of the contribution.

The action followed discovery by the Treasury that an organization known as the Medical Aid Committee of Berkeley, California, sent two contributions totaling $1,500 to the so-called Liberation Red Cross of the Viet Cong via the Czech bank. Appropriate action is also being taken with respect to the American Bank involved in the transaction.

Foreign Assets Control Regulations prohibit unlicensed remittances to the Viet Cong and related organizations.

Under the Foreign Assets Control Regulations, American banks, business firms, and individuals are required to exercise care to avoid engaging in unlicensed remittances and other financial and commercial transactions with North Vietnam and the Viet Cong.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 17, 1966

FOR IMMEDIATE RELEASE

ANTIDUMPING PROCEEDING ON
ICE SKATE BLADES

On March 22, 1966, the Commissioner of Customs received information in proper form pursuant to the provisions of section 14.6(b) of the Customs Regulations indicating a possibility that ice skate blades imported from Japan are being, or likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

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

The information was submitted by Arco Skates, Tye-Dee Corporation, Marathon, New York.

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

Imports of the involved merchandise received during 1965 were valued at approximately $108,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

OR RELEASE 6:30 P.M.,
onday, June 20, 1966.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced that the tenders for two series of Treasury ills, one series to be an additional issue of the bills dated March 24, 1966, and e other series to be dated June 23, 1966, which were offered on June 15, 1966, re opened at the Federal Reserve Banks today. Tenders were invited for $1,300,000,000, thereabouts, of 91-day bills and for $1,000,000,000, or thereabouts, of 182-day lls. The details of the two series are as follows:

NGE OF ACCEPTED MPETITIVE BIDS:	91-day Treasury bills maturing September 22, 1966		:	182-day Treasury bills maturing December 22, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	98.880	4.431%	:	97.688 a/	4.573%
Low	98.865	4.490%	:	97.675	4.599%
Average	98.870	4.470% 1/	:	97.679	4.591% 1/

a/ Excepting one tender of $3,400,000
60% of the amount of 91-day bills bid for at the low price was accepted
69% of the amount of 182-day bills bid for at the low price was accepted

AL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

istrict	Applied For	Accepted	:	Applied For	Accepted
oston	$ 25,965,000	$ 15,475,000	:	$ 7,674,000	$ 7,674,000
ew York	1,551,069,000	902,169,000	:	1,290,357,000	649,457,000
hiladelphia	31,450,000	19,450,000	:	19,883,000	11,783,000
leveland	30,843,000	30,262,000	:	72,139,000	71,216,000
ichmond	12,695,000	12,695,000	:	5,488,000	4,688,000
lanta	40,027,000	31,329,000	:	39,536,000	22,198,000
icago	259,288,000	135,448,000	:	301,679,000	138,479,000
. Louis	45,198,000	37,026,000	:	29,171,000	17,378,000
nneapolis	23,968,000	23,368,000	:	13,834,000	11,334,000
nsas City	32,789,000	32,639,000	:	19,307,000	19,107,000
llas	24,095,000	15,095,000	:	15,049,000	10,049,000
n Francisco	94,401,000	45,501,000	:	100,767,000	36,702,000
TOTALS	$2,171,788,000	$1,300,457,000 b/		$1,914,884,000	$1,000,065,000 c/

ncludes $256,061,000 noncompetitive tenders accepted at the average price of 98.870
ncludes $155,470,000 noncompetitive tenders accepted at the average price of 97.679
ese rates are on a bank discount basis. The equivalent coupon issue yields are .58% for the 91-day bills, and 4.77% for the 182-day bills.

TREASURY DEPARTMENT

WASHINGTON, D.C.

June 21,1966

FOR IMMEDIATE RELEASE

ANTIDUMPING PROCEEDING ON
THIOUREA

On May 11, 1966, the Commissioner of Customs received information in proper form pursuant to the provisions of section 14.6(b) of the Customs Regulations indicating a possibility that thiourea imported from West Germany, manufactured by Degussa, A.G., Frankfurt/Main, West Germany, is being, or likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

Thiourea is a chemical intermediate used in the manufacture of photographic chemicals, pharmaceuticals, textile chemicals, etc.

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

The information was submitted by The Elco Corporation, Cleveland, Ohio.

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

Imports of the involved merchandise received during the period January 1, 1966, through April 30, 1966, were valued at approximately $55,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

June 21, 1966

FOR RELEASE A.M. NEWSPAPERS
WEDNESDAY, JUNE 22, 1966

DONALD L. E. RITGER NAMED ASSISTANT GENERAL COUNSEL OF THE TREASURY DEPARTMENT

Secretary of the Treasury Henry H. Fowler today announced the appointment of Donald L. E. Ritger as an Assistant General Counsel of the Treasury Department.

Mr. Ritger, who has been Chief Counsel of the Bureau of Customs since 1964, will assume his new duties immediately. In his new position he will succeed Roy T. Englert, who was recently named Deputy General Counsel of the Treasury.

Mr. Ritger will be legal adviser to Assistant Secretary True Davis, who has general supervision over the Coast Guard, the Bureau of Customs, and the Bureau of Engraving and Printing, and also to the Special Assistant to the Secretary for Enforcement, David Acheson.

He will also supervise legal work relating to the Bureau of Narcotics and the Bureau of the Mint. In addition, he will be in charge of Treasury non-tax litigation. The office of the Director of Practice will also be under his general supervision.

Mr. Ritger was born in Orange, New Jersey, on October 31, 1920. He is a graduate of Georgetown University and the Georgetown University Law School, Washington, D. C., where he served on the Law Review. He was on active duty with the U.S. Navy from July, 1942, to October, 1946.

Upon graduation from law school and admission to the District of Columbia bar in 1949, he was appointed to the Office of the Chief Counsel of the Bureau of Customs. He has served in that office until the present time. He was Assistant Chief Counsel from July, 1959, until May, 1964, when he was designated Chief Counsel.

Mr. Ritger and his wife, the former Susan Apthorp Bulfinch have three children. They reside at 3300 Woodbine Street, Chevy Chase, Maryland.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 22, 1966

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 $2,300,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing June 30, 1966, in the amount of $3,301,943,000, as follows:

91-day bills (to maturity date) to be issued June 30, 1966, in the amount of $1,300,000,000, or thereabouts, representing an additional amount of bills dated March 31, 1966, and to mature September 29, 1966, originally issued in the amount of $999,921,000, the additional and original bills to be freely interchangeable.

182-day bills, for $1,000,000,000, or thereabouts, to be dated June 30, 1966, and to mature December 29, 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, June 27, 1966. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for each issue for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on June 30, 1966, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 30, 1966. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT
Washington

FOR USE IN AFTERNOON NEWSPAPERS
FRIDAY, JUNE 24, 1966

REMARKS OF THE HONORABLE JOSEPH W. BARR
THE UNDER SECRETARY OF THE TREASURY
AT THE
32ND ANNUAL CONVENTION
OF
THE AMERICAN INDUSTRIAL BANKERS ASSOCIATION
ST. FRANCIS HOTEL
SAN FRANCISCO, CALIFORNIA
AT NOON, JUNE 24, 1966

THE NEW AMERICAN WAR OF INDEPENDENCE

It is very good to be here with you today, because it is always an invigorating experience to come to this beautiful and vital city of San Francisco, and because this is my first opportunity to meet with the American Industrial Bankers Association.

Yours is one of the nation's very large industries, doing a major share of one of the most important parts of the nation's business: credit financing.

As such, you have a major interest in what kind of a society, and what kind of economy are developing in the United States.

And you have a major interest in how our economy -- your economy -- relates to the rest of the world.

Consequently, I have shaped my remarks to you along these lines. I am confident that you will find -- as I do -- that these are not only subjects in which you should take an interest, but that you cannot help being interested in them. I am sure of this because what is happening right now in the American economy, and what that means to the quality of American life, and the lead it gives to the rest of the world looking for ways to better men's lives, is the most exciting and hopeful development taking place anywhere in the world today.

It is also, very likely, the most exciting and hopeful development of any other day. What we are doing to improve men's lives, here and now in the United States, is making more lives better, more quickly, in more ways and to a greater extent than have all the great revolutions of the past put together.

Furthermore -- and please note that I am taking issue with some of the things said in the "Comment" section of your Association publication -- what the people and the government of the United States have in the last few years joined hands to accomplish is in the oldest American tradition, the tradition of creative revolution.

For let me point out to you that the American War of Independence was, if not unique, at the least a very rare thing in the annals of human struggle. It was a revolution that did not require for its success or perpetuation the destruction of any class, the destruction of property rights, or the divorce of any part of the American people from the protection of the laws. It was a revolution that left the entire responsible political spectrum -- from the conservatism of Alexander Hamilton to the liberalism of Thomas Jefferson -- freely open for continued use.

> The deep and sweeping and rapid changes that are taking place currently within our economy and our society add up to a new American War of Independence. Once again, the American revolution neither seeks nor needs for its success victims of any kind. It leaves open, for continued appeal to every variety of view, the entire responsible political spectrum, in turn leaving the definition of the word "responsible" to the free decision of the American people at the polls.
>
> Once again, we are carrying out an exclusively creative revolution.
>
> Where once we sought independence from another nation, today we seek independence from the dregs of mankind's past of ill health, poverty, ignorance, and short life.

The new American War of Independence seeks independence from the fear and the hatred and the degradation of racial discrimination. It seeks independence from the social rot, and the human and economic waste, of involuntary poverty. The new American War of Independence seeks independence from the dangers of ignorance, independence from the pain and waste of avoidable illness and of lives cut unnecessarily short. It seeks to improve the quality of American life through independence from ugliness and bad taste, from poisoned air, and from unclean waters.

Outside our borders we seek the great boon that makes every other progress and benefit possible. Where Americans once fought a War of Independence, we now fight for independence from war.

We seek independence from war as the foundation stone of a world community of nations, an interdependent international community that will be as different, as averse to destruction, and as oriented to creative change as was -- and is -- the American society started by our War of Independence.

We seek independence from war not just for ourselves, but for everyone, without any exception -- for Eastern as well as for Western Europe, for South as well as for North America, for communist as for non-communist China, for Pakistan as for India, for Arab as for Jew, for East as for West. We seek independence from war because war is mankind's deadliest sickness, and because so long as any part of mankind -- however remote and alien or weak -- is afflicted with war, no part of mankind -- however great and strong -- can count itself entirely well.

It is obvious that this new American War of Independence will be very costly, in terms both of human and material resources, that it will test the private and the governmental sectors of our society and economy.

Can we afford it?

Do we have the resources to do so much, to go so far, so fast?

I think the answer is demonstrably: Yes.

I think the further answer is that we can undertake the gigantic public and private tasks, at home and abroad, that I have just suggested, without fear that we will turn our goals into mirages by inviting an inflationary trend. That is, I think that the partnership in economic responsibility that has been built up in the 1960s between your government and the private sector shows that it is possible to generate the added production needed to pay for all our programs, as we go along, out of the proceeds of our economic growth and the growth of our productivity.

But before we discuss the kind of economy required to achieve a high rate of growth, over the long term, together with price stability, let us test the realism of these opinions by looking at some very recent and careful independent estimates of the costs of the tasks of the new American War of Independence.

I refer to a new study that attempts to assess the probable costs of all our major aspirations that has just become available from a private, business sponsored research organization of long standing, the National Planning Association.

This booklength study gives a chapter each to calculating the rise in our Gross National Product that would be needed to meet the following American economic aspirations, and to carry out our international responsibilities such as defense and foreign assistance, through 1975:

-- Continued improvement of our standard of living, and reduction of poverty in the United States, so that by 1975 we have an average family income of $10,000, together with an 8 percent savings rate, and an increase in leisure time reducing hours of work by 1 percent a year. This is the biggest single item, estimated to call for an 85 percent rise by 1975 in consumer outlays -- including savings -- over 1962. In terms of dollars of constant purchasing power, this is an increase from $357 billion in 1962 to $660 billion in 1975.

Because of the special interest it has for the members of this Association, let me quote for you the capsule summary of the pattern of consumer spending anticipated over the next decade by this study:

> "As income rises, a smaller share of family budgets would probably be allotted to non-durables such as food. Private spending for books, education, vacations, and personal care would be likely to rise by more than the overall average. Expenditures for auto repair and service and for parking, like those for automobile purchases -- to increase the stock of cars by 50 million by 1975 -- would loom larger in family outlays. Offsetting the increases in spending for services, families can be expected to continue replacing the purchase of outside services, such as laundry service, by the acquisition of items of durable equipment designed to serve the same purpose in home use. Spending for durables is projected to show the largest percentage increase in consumer expenditures, rising from 13 percent of the total in 1962 to 15 percent or somewhat more of the larger volume of consumer spending in the 1970s. As average family incomes rise to an anticipated $10,000 a year, there will be an increase in the funds set aside for private arrangements to protect economic security. Annual premiums for life insurance, for example, are expected to increase by over two thirds -- from $18 billion in the early 1960s to $31 billion in the mid-1970s."

The other principal calls upon the economy anticipated in the next decade are:

-- Maintenance and re-equipment of our industrial installation to provide for an economy capable of producing more than $1 trillion worth of goods and services by 1975. This, the cost of keeping capacity to produce equal to demand, is expected to increase private investment by over $100 billion in 1975 compared to 1962.

-- Outlays for urban development that double between 1962 and 1975, including tripling of outlays for improving transportation within our cities.

-- A rise in social welfare improvements that would increase public and private outlays in this area from about 7 percent of Gross National Product in 1962 to approximately 9.5 percent of GNP in 1975.

-- A rise in outlays for improved health, and lengthening of life, that would increase public and private expenditures in this area from 5.8 percent of GNP in 1962 to 8.7 percent in 1975.

-- A massive increase, amounting to some 170 percent, in our public and private outlays for education.

-- Increases in public and private spending designed to meet the standards set forth by President Kennedy in 1962 that the transportation system should be such as to give incentives to users to employ whatever form of transportation gives the best service at the lowest public and private cost, and that translates scientific knowledge into transportation engineering. This, it is estimated, would involve more than doubling transportation outlays from 1962 to 1975, the biggest item being outlays for private cars, but including the introduction of such technological advances as hydrofoils and air cushion vehicles.

-- National Defense expenditures rising from some $51.5 billion in 1962 to $67.5 billion in 1975 if nuclear weaponry proliferates among the nations and tensions do not subside, or that decline to $39 billion if tensions abate enough to make some disarmament safe.

-- Other increases by 1975 over 1962 levels including:

Housing: up from 5.3 to 6.3 percent of Gross National Product;

Research and Development: an increase from 3 to 4 percent of GNP;

Natural Resources: outlays in 1975 nearly triple those of 1962;

International Assistance, economic and military: a rise from 1 percent of GNP to 1¼ percent;

Space exploration: a rise from $3¼ billion in 1962 to about $6 billion in 1975 if the program proceeds at a slow pace, or to $9-1/3 billion if space exploration is pushed as fast as possible.

Other programs: including outlays on agriculture, manpower retraining and area redevelopment, rising from some $7.3 billion in 1962 to nearly $11 billion in 1975.

This is the first study of its kind. The estimates are careful, but they are estimates, not reality. Nevertheless, I think they are valuable because they give us independently arrived at working magnitudes of the total size of the work load we are placing on our economy.

> The total of the above estimates of the cost of keeping current with our aspirations for economic and social improvement, while keeping faith with our international obligations, would require a Gross National Product of some $1 trillion, $127 billion in 1975.

That is a breath-taking amount, for we are not yet used to dealing in trillions. Can we be producing that much by 1975?

This study, like most other current thinking, assumes that the record of the tremendous, sustained economic advance all sectors of the United States economy have enjoyed -- together with price stability unmatched elsewhere in the world -- during the Kennedy and Johnson years of partnership between the government and the public, indicates that there is nothing unrealistic about expecting to expand our economy at no less than 4 percent a year while at the same time maintaining price stability.

Let me point out that, in fact, we have averaged 5 percent real economic growth -- growth eliminating the effect of price changes -- since 1960.

What does this mean with respect to the costs we have just been assessing of our new American War of Independence? It indicates that we can undertake these obligations without fear that we are biting off more than we can digest without incurring an inflationary stomach ache.

> In the first quarter of this year we were already operating at the rate of $714 billion Gross National Product per year. If we average 4 percent real growth per year between now and 1975 -- a fifth less than we have actually been averaging -- we will have a Gross National Product of at least $1 trillion in 1975.
>
> That is close enough to the total of the above estimates to be within the margins for error -- one way or the other -- of projections involving the time span, the magnitudes and the uncertainties entailed in such a look into the future.
>
> If we refuse to permit ourselves to be led back into the timidity and satisfaction with low rates of progress that characterized most of the 1950s, we can look forward confidently to being able to pay the bills for the new American War of Independence -- which is a declaration of high expectations, worthy of the courage and faith of our Founding Fathers -- out of earnings of economic growth based upon rising productivity.

Let us look forward with that confidence. Let us not be swindled into lowering our goals by counsels of little courage, less foresight, and no faith in the American way. I, for one, and President Johnson and all in his Administration, I can assure you, believe that the American people welcome the tasks of the new American War of Independence, that they are glad to see before them the prospect of working at the stretch, and that, in particular, the youth of this nation is reaching out eagerly for great and creative works.

Let us, then, not fail our history, our present or our future by accepting goals that are beneath our capacities, or goals that are of too low quality. For we must realize that the *quantity* of our achievements will depend upon the *quality* of the questions we ask and the challenges we set ourselves.

But let us, at the same time, understand -- as the estimates I have just been citing and comparing to our ability to produce indicate very clearly -- that we are laying a heavy workload on our economy, that if we are to accomplish all we are setting out to do, and if we are to preserve the benefits and efficiencies of free enterprise while we meet these goals, it is necessary to have and to stick to economic policies -- public and private -- that are consistent with our expectations.

Your present Administration has been pioneering just such economic policies. This is sometimes spoken of as the "new economics." In fact, it is the best of old economics -- policies based upon the view that high per capita consumption can proceed only from high per capita production.

What is new in it, what is pioneering about it, what has not been attempted before, is the careful preparation of an economic policy "mix" designed to stimulate the growth of capacity while -- not after -- it stimulates the growth of demand,

-- that aims at achieving all goals together,

-- that does not accept the idea that we must sacrifice price stability to get growth, or sacrifice growth to get price stability,

-- that does not accept the idea that we can have periods of growth, and periods of stability, but not both together,

-- and that, further, takes account simultaneously of our international as well as our national economic needs.

I think that neither the pioneering newness, nor the care to preserve the old and sound, in our economic policy mix has been well understood, because this policy mix is most often discussed bit by bit, and is seldom seen in its massive and complex entirety. Let me therefore, try to summarize it for you:

The current expansion, as you know, had its beginnings in early 1961, when the economy was emerging from our fourth post-war recession. Unemployment was intolerably high. Business investment had for years failed to maintain anything like adequate levels of growth -- and remained 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 balance of payments deficits -- averaging more than $3½ billion a year for three years -- rendered the dollar vulnerable and threatened the international monetary system which it supported.

Our view then, and our view now, is that our economic policy mix must enable us to pursue simultaneously four major economic goals through changing economic circumstances.

These goals of our economic policy mix are:

-- strong and stable economic growth;

-- full employment;

-- reasonable price stability; and

-- equilibrium in our international balance of payments.

We rejected then, and reject now, the view that these goals are inherently incompatible and that to secure one or two of them requires that we sacrifice the others.

And that is why, at the beginning of this expansion, our first fiscal measures -- the 7 percent investment credit and the depreciation reform of 1962 -- centered upon encouraging productive new business investment -- the kind of investment that would mean not only more jobs and greater economic growth, but the greater productivity and lower costs so essential to continued price stability and to progress in our balance of payments.

For these same reasons we have constantly re-emphasized that old-fashioned virtue, thrift. I urge you, as bankers and as employers,to help keep our savings rate high by joining in President Johnson's campaign to increase payroll purchases of Savings Bonds.

We accompanied these measures with pioneering new efforts to train and retrain unskilled and semi-skilled workers -- thus helping to make them more employable and more productive.

As a result of our programs over the past few years -- beginning with the landmark Manpower Development and Training Act of 1962 -- we now have underway the most massive effort ever undertaken to attack the problem of structural unemployment.

At the same time that we employed these dual measures -- aimed specifically at insuring both greater growth and greater productivity in both business investment and employment -- we adopted a dual approach on the overall economic level as well. Through massive and across-the-board income tax reductions we sought to increase the general level of demand in the private economy -- while through the wage-price guideposts of the President's Council of Economic Advisers we sought, within the context of our free enterprise system, to encourage voluntary wage-price restraint, so that measures for growing productivity and for growing aggregate demand would result in both *rapid* *and* *real* economic growth.

During the five years from 1961 to 1965 -- nearly all of which were covered by the guideposts -- corporate profits after taxes *rose* more than 65 percent from $27.2 billion to $44.5 billion. In the previous five-year period -- 1956-1960 -- when we had no guideposts, corporate profits after taxes *fell* by 2 percent from $27.2 billion to $26.7 billion.

In the five years before we had the guideposts, real employee compensation -- compensation corrected for price changes -- rose by approximately 12 percent.

But in the five years from 1960 to 1965 when the guideposts were operative real employee compensation rose by more than 20 percent, or, nearly *twice* the rise in real earnings of the five previous years without guideposts.

As a result, we have come closer than at any time in our history to the simultaneous achievement of strong and stable economic growth, full employment, reasonable price stability, and equilibrium in our international balance of payments.

No great and free nation in the history of mankind has ever come so close to achieving both full employment and rapid economic growth in a context of reasonable price stability and international payments equilibrium.

The question before us is how shall we seek to accomplish what no other Free nation has succeeded in doing -- but what all have dreamed of doing? Shall we build upon the policies that have brought us so close to our goals? -- or shall we revert to policies that would have us achieve one or two of our economic goals at the expense of others -- that would, for example, have us accept a higher rate of unemployment and a lower rate of economic growth for the sake of price stability and balance in our international payments, or that would have us forego our efforts for price stability and balance of payments equilibrium for the sake of full employment and greater economic growth?

I think that everyone here will agree with me, and with all in President Johnson's Administration, that merely to ask this question is to answer it.

And let me point out that what you often hear spoken of in terms of problems for which there is no solution, may in reality be problems fully amenable to solution -- by those who are determined to find solutions, and not excuses.

President Johnson gave a demonstration of this only last week. We have all heard that we are coming up against a manpower shortage, that we will not be able to go ahead with the building of the Great Society, to carry on the defense of freedom in Vietnam, help the people of the less developed countries toward a better life, and keep our international accounts in balance because, if for no other reason, we do not have the manpower to do all of these things at once.

But President Johnson pointed out that in reality we have no manpower shortage. What we have, in cold -- and deplorable -- reality, is manpower wastage, and wastage on a scale that, once corrected, can provide the manpower for many great tasks. Let me give you an idea of just how correct the President is in this, and what a significant point he has put his finger on.

In the Spring of 1965, 4.0 percent of all the white males in the United States civilian labor force were unemployed. But unemployment of white men who had less than 8 years schooling was half again as great, at 6.0 percent. Joblessness among those who dropped out without completing high school was the same 50 percent higher than the national average for white men.

But unemployment among white males in the labor force with 4 years of high school and 4 years or more of college was well under the national average, ranging from 3.1 to 1.3 percent.

> That demonstrates how manpower is wasted by lack of education and training, and, conversely, how education and training make manpower available.

Among non-white males the wastage is even greater: 8.1 percent of all non-white males in the civilian labor force were unemployed in the Spring of 1965. That is more than double the rate for whites. Non-white males with less than 8 years of schooling had 8.3 percent unemployment. Even those with 4 years of high school were 7.0 percent unemployed.

> This shows with cruel clarity what happens when you add the penalties of discrimination to the penalties of ignorance.

Wherever you pursue the employment record, through good times and bad, you will find this same wastage of manpower as the cost of lack of education and the cost of discrimination. Even in the best of times, the poorest are the most poorly educated, and the poorest of the poor are the least educated non-whites.

My friends, one of the prime requisites -- in fact the most fundamental requirement of all -- for building the Great Society, for being able to pay for the achievements of the new American War of Independence, is recognition of the fact that a man who is poor because he has been denied a good enough education is a waste of precious human energy and talent that the Great Society simply cannot afford.

Here too, the policy mix of the current Administration of your government has been early and precise in getting on the right track. I believe that if the man from Mars -- if we can still speak of him after reaching the stage where we can send a TV station to Mars and get back pictures that show a pretty unlikely looking place -- that if a total stranger dropped in and looked over what is going on in the world with an eye to assessing its effects upon the future of mankind, I believe that he would say that the unprecedented effort of the American people to expand and improve their education and training, and to make them available to everyone regardless of race, economic condition or place of residence, is the most significant thing currently afoot in this world of ours.

Giving all kinds of Americans -- and Americans of all conditions -- the education and training opportunities that alone can fit them to perform high productivity work is the rock bottom condition of the building of a high consumption Great Society.

That is, we cannot afford to waste our manpower in an economy that we must keep working at the stretch for the indefinite future to create the economic resources for the building of a better nation which does its share in the building of a better world. Let me observe, since most of you here are employers, that this emphatically means that we must not countenance waste of valuable human energy and talent in the form of refusing to employ the handicapped, including the mentally handicapped.

We need the contribution these people can make. I think also that as we get farther into the great tasks that we have undertaken, we will increasingly find ourselves turning to women before and after their homemaking years to fill an ever widening span of jobs, and that it may not be long before we come to the conclusion that we cannot afford to retire a man -- or a woman -- in good health as early as 60 to 65 years of age.

In a number of other ways we must work changes in our domestic and international setting if we are to be able to operate over time so close to capacity.

> What we must do -- the kind of nation, and increasingly the kind of world -- that we must have can be summed up in a word: the responsible nation, in a world of increasingly responsible international behavior.

This is simply to say that if we are going to achieve growth together with stability such as has never before been accomplished without governmental invasion of freedom of economic choice, then we are going to have to have a degree of responsible restraint on all sides such as we have never had before.

The wage-price guideposts are a step in that direction. The comparisons that I have cited of our economic accomplishments before and after the guideposts became part of our policy mix show with the greatest clarity that the wage-price guideposts -- or something like them -- must occupy an important place in any successful effort to secure real growth in the economic abundance we all share, and that we want to increase steadily.

President Johnson only last month called his Labor-Management Advisory Committee together and told them that in his opinion the development of policy for the maintenance of prosperity together with stability is a crucial issue. He asked for a constructive report from them on the further role of the guideposts, the effectiveness of the role of voluntary restraints of all kinds and on the roles of business and labor with respect to responsible economic behavior.

I think that we must add to this, that in the fully stretched economy we envision for the indefinite future we must be able to make timely marginal adjustments, because the forces of supply and demand will at all times be so narrowly balanced that small changes may be frequently needed to hold so fine an equilibrium. The monetary authorities have the necessary power to make such adjustments and the Congress has demonstrated that it can move quickly to reduce taxes. The Congress made history earlier this year by enacting a small but important tax increase in 60 days. But serious consideration still needs to be given to further development of the government's ability to adjust economic policy through timely but limited tax system changes.

If we are to continue to play our proper and desired role in world affairs, we must have a higher degree of international responsibility. We are the greatest generator in the world of low cost capital, and our capital markets are the most efficient mechanism in the world for marshalling funds to be sent anywhere in the world.

The world wants and needs the great volume of American foreign investment and lending that has been going out to it.

The underdeveloped world wants and needs our governmental loans and investment in addition to private investment.

If we are to continue, as we have for two decades now, to hold up a world wide defense shield -- upon which the freedom of every free man in the world today depends -- we will have to continue to spend abroad large sums of dollars for defense purposes.

But if we are to do all these things, the international monetary system must act responsibly toward us. If it works to create large drains on our gold stock, then we must find the means to hold down the outflows of funds that the world needs.

The report, just out, of the Bank for International Settlements observes, in this respect:

> The future supplies of gold for monetary purposes is not likely to exceed $700 to $800 million a year and may be smaller.

The report remarks that "if the increase in monetary reserves had to rely on new gold alone, they would tend to decline rather sharply in relation to the rising volume of international transactions."

The report points to a tendency of the system to generate a one-way flow of gold out of the United States stock into reserves of other countries, because other countries purchase U.S. gold when they have surpluses, but have the use of many non-gold facilities, including other currencies, IMF credits and access to short-term funds in New York and to the Euro-dollar market to tide them over deficits. It should be noted, that these non-gold means for settling deficits tend, for the most part, to worsen the U.S. payments position.

The BIS report concludes that with a declining proportion of gold in reserves we must necessarily have the means of moving to a more managed international monetary system. And this requires more active financial cooperation and less scope for policies that are inconsistent with a cooperative system.

If the underdeveloped countries are going to continue to receive large scale help from the better developed countries, including the United States, they too are going to have to accept certain clear responsbilities. These include the responsibility for limiting population increase so that the rather high rates of economic growth that are in fact being achieved over most of the less developed world can be converted to high rates of per capita gain. Further, the less developed countries must understand that our ability to provide food for them is not unlimited, they must understand that the food deficient communist countries are buying huge quantities of Western grains, and they must act responsibly to better their own agricultural output. They must take this factor into their plans as a necessary facet of their industrial development.

Finally, let me add an ingredient that is absolutely indispensable. We are talking here about a finely balanced economy fully employing both its capital and its human resources, over the long term. This calls for a well informed, thoughtful American electorate, one that thinks about wages, prices and profits, and about the roles of government and of private enterprise, in terms of aims desired, in terms of preserving the realities of freedom, in terms of the connection between national aims and international security, and not in emotional, and punitive terms as in the past.

Here also, we must lift ourselves to a higher qualitative level.

If we do not, through our schools and through our political processes, develop such an informed and sophisticated public, if instead we let our institutions and our political processes become the tools of warped, out of date and emotionally directed argument in place of creative debate and discussion, we must not expect to be able to operate a sensible and sensitively balanced economy.

As I think I have already abundantly indicated, I believe without any doubt that the American public is in fact in the process of making itself fully equal in every way to the tasks that it has undertaken. I can say the same for everyone in President Johnson's Administration. We believe that Americans are no less ready to think through and accept the responsibilities -- as well as the benefits -- of the new American War of Independence than they were when first Americans set out to show that they were capable of creating a better society.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE 6:30 P.M.,
Thursday, June 23, 1966.

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

The Treasury Department announced that the tenders for $1,000,000,000, or thereabouts, of 365-day Treasury bills to be dated June 30, 1966, and to mature June 30, 1967, which were offered on June 16, were opened at the Federal Reserve Banks today.

The details of this issue are as follows:

Total applied for	- $1,567,292,000	
Total accepted	- 1,000,092,000	(includes $46,312,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids:

High	- 95.306	Equivalent rate of discount approx.	4.630% per annum	
Low	- 95.138	" " " " "	4.795% " "	
Average	- 95.238	" " " " "	4.697% " "	1/

(58% of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 10,972,000	$ 972,000
New York	1,169,595,000	662,395,000
Philadelphia	13,059,000	13,059,000
Cleveland	29,273,000	29,273,000
Richmond	1,758,000	1,758,000
Atlanta	58,105,000	58,105,000
Chicago	163,641,000	122,641,000
St. Louis	16,588,000	16,588,000
Minneapolis	6,038,000	6,038,000
Kansas City	3,143,000	3,143,000
Dallas	12,021,000	8,021,000
San Francisco	83,099,000	78,099,000
TOTAL	$1,567,292,000	$1,000,092,000

1/ This rate is on a bank discount basis. The equivalent coupon issue yield is 4.94%.

TREASURY DEPARTMENT

WASHINGTON, D.C.

OR RELEASE 6:30 P.M.,
onday, June 27, 1966.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced that the tenders for two series of Treasury ills, one series to be an additional issue of the bills dated March 31, 1966, and the ther series to be dated June 30, 1966, which were offered on June 22, 1966, were opened t the Federal Reserve Banks today. Tenders were invited for $1,300,000,000, or thereabouts, of 91-day bills and for $1,000,000,000, or thereabouts, of 182-day bills. The etails of the two series are as follows:

ANGE OF ACCEPTED OMPETITIVE BIDS:	91-day Treasury bills maturing September 29, 1966		:	182-day Treasury bills maturing December 29, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	98.887 a/	4.403%	:	97.686 b/	4.577%
Low	98.874	4.455%	:	97.639	4.670%
Average	98.879	4.435% 1/	:	97.669	4.610% 1/

a/Excepting one tender of $500,000; b/ Excepting 2 tenders totaling $115,000
94% of the amount of 91-day bills bid for at the low price was accepted
33% of the amount of 182-day bills bid for at the low price was accepted

TAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 51,239,000	$ 25,939,000	:	$ 11,090,000	$ 11,090,000
New York	1,510,896,000	892,993,000	:	1,012,541,000	597,541,000
Philadelphia	30,612,000	13,612,000	:	11,897,000	3,897,000
Cleveland	40,676,000	34,251,000	:	37,345,000	37,345,000
Richmond	19,338,000	19,338,000	:	4,893,000	4,893,000
Atlanta	53,867,000	30,563,000	:	40,510,000	35,360,000
Chicago	357,868,000	131,662,000	:	262,909,000	167,909,000
St. Louis	38,678,000	29,291,000	:	27,255,000	24,915,000
Minneapolis	21,323,000	11,263,000	:	9,750,000	9,750,000
Kansas City	23,348,000	22,963,000	:	30,095,000	30,095,000
Dallas	27,701,000	14,141,000	:	12,146,000	12,146,000
San Francisco	126,608,000	74,260,000	:	75,098,000	65,098,000
TOTALS	$2,302,154,000	$1,300,276,000 c/		$1,535,529,000	$1,000,039,000 d/

Includes $247,259,000 noncompetitive tenders accepted at the average price of 98.879
Includes $134,060,000 noncompetitive tenders accepted at the average price of 97.669
These rates are on a bank discount basis. The equivalent coupon issue yields are 4.55% for the 91-day bills, and 4.79% for the 182-day bills.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 27, 1966

FOR IMMEDIATE RELEASE

COMMISSIONER OF CUSTOMS JOHNSON RECEIVES TREASURY EXCEPTIONAL SERVICE AWARD

Secretary of the Treasury Henry H. Fowler today awarded the Treasury Department's Exceptional Service Award to Commissioner of Customs Lester D. Johnson.

Speaking at the award presentation ceremony, Secretary Fowler cited Commissioner Johnson's "outstanding contributions to the government and the people of the United States." Commissioner Johnson "has had one of the most distinguished careers in the entire 176-year history" of the Customs service, Secretary Fowler said.

A veteran of 31 years with the Bureau of Customs, Commissioner Johnson was appointed to the highest post in the Bureau on August 3, 1965. He had previously served as Deputy Commissioner in charge of Investigations and Enforcement, Assistant Commissioner, and Acting Commissioner.

Secretary Fowler said in part:

> "Commissioner Johnson typifies the outstanding government career men on whom President Johnson has called in filling important posts in his Administration . . .
>
> "One of his major achievements before his appointment as Commissioner was a reorganization of the Customs Agency Service, the enforcement arm of the bureau, in 1963 . . .
>
> "Surely one of his most significant contributions in public service has been the leadership and energy he devoted to the recently concluded transformation of the Bureau of Customs which reorganized the Bureau on a regional basis and established it on a fully career basis. The purpose of this reorganization was to place the Bureau of Customs in a better position to deal with its ever-increasing workload. The beneficial results are already showing."

Commissioner Johnson joined the Customs service in 1935 as a clerk and examiner in San Francisco after receiving a Master's degree in public finance from Stanford University. He has served as Treasury Attache in Japan and Regional Customs Representative in Italy and has represented the United States at conferences dealing with tariffs and trade, at meetings of the international Customs Cooperation Council, and as a member of the delegation to INTERPOL. He became Acting Commissioner of Customs on October 1, 1964, when his predecessor, Philip Nichols, Jr., was named judge of the United States Customs Court by President Johnson.

A copy of the citation is attached.

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Attachment

CITATION

Exceptional Service Award

Lester D. Johnson

Commissioner of Customs Lester D. Johnson has rendered distinguished service to the Bureau of Customs and the Nation. Under his guiding hand the Customs Service recently concluded one of the most fundamental transformations in its entire 176 year history. Thanks to Commissioner Johnson's dynamic leadership, this reorganization was effected with a minimum of dislocation to Customs operations.

Commissioner Johnson has been unsparing in his zeal to improve Customs efficiency. His outstanding success in these efforts has enabled the Bureau of Customs to carry a burgeoning workload with only minimal increases in personnel.

Commissioner Johnson's outstanding record of achievement clearly merits recognition by the conferring of the Treasury Department's Exceptional Service Award.

TREASURY DEPARTMENT

WASHINGTON, D.C.

June 27, 1966

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 $2,300,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing July 7, 1966, in the amount of $ 2,304,650,000, as follows:

91-day bills (to maturity date) to be issued July 7, 1966, in the amount of $ 1,300,000,000, or thereabouts, representing an additional amount of bills dated April 7, 1966, and to mature October 6,1966, originally issued in the amount of $1,001,791,000, the additional and original bills to be freely interchangeable.

182-day bills, for $1,000,000,000, or thereabouts, to be dated July 7,1966, and to mature January 5, 1967.

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving time, Friday, July 1, 1966. 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 ustomers provided the names of the customers are set forth in such enders. Others than banking institutions will not be permitted to ubmit tenders except for their own account. Tenders will be received ithout deposit from incorporated banks and trust companies and from esponsible and recognized dealers in investment securities. Tenders rom others must be accompanied by payment of 2 percent of the face mount of Treasury bills applied for, unless the tenders are ccompanied by an express guaranty of payment by an incorporated bank r trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for each issue for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on July 7, 1966, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 7, 1966. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 27, 1966

FOR IMMEDIATE RELEASE

ANTIDUMPING PROCEEDING ON THIOUREA

On May 11, 1966, the Commissioner of Customs received information in proper form pursuant to the provisions of section 14.6(b) of the Customs Regulations indicating a possibility that thiourea imported from Japan is being, or likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

Thiourea is a chemical intermediate used in the manufacture of photographic chemicals, pharmaceuticals, textile chemicals, etc.

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

The information was submitted by The Elco Corporation, Cleveland, Ohio.

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

Imports of the involved merchandise received during the period January 1, 1966, through April 30, 1966, were valued at approximately $110,000.

STATEMENT OF
FRED B. SMITH, GENERAL COUNSEL OF THE TREASURY,
ON H.R. 15785, A BILL TO IMPLEMENT THE CONVENTION ON THE SETTLEMENT OF INVESTMENT DISPUTES BETWEEN STATES AND NATIONALS OF OTHER STATES

JUNE 28, 1966

Mr. Chairman and Members of the Committee:

I am happy to appear before you today in support of H.R. 15785, a bill to implement the Convention on the Settlement of Investment Disputes between States and Nationals of Other States. I should like to divide my statement into two parts: the first describing briefly the principal features of the convention, and the second describing the proposed legislation before you.

The convention establishes under the auspices of the World Bank a Center for the settlement by means of arbitration or conciliation of investment disputes which may arise between private foreign investors of one country and the government of another country. Its primary purpose is to improve the climate for private investment in countries which seek to attract foreign capital, particularly the economically developing countries, and thus to stimulate a larger flow of private investment into those countries. At the same time, in view of the far-flung business activities of our citizens in foreign lands, the convention will be of particular benefit to the United States.

While a private foreign investor normally can adjudicate a dispute with a host government in the domestic courts of that government, the convention represents the belief that in certain cases it may be more appropriate to bring such a dispute before an international forum. The International Court of Justice is, of course, not available to handle private investment disputes since only governments can be parties before the Court. The convention will establish an international forum to which a private party of one country can take a dispute with the government of another country.

The arbitration and conciliation Center will maintain a Panel of Arbitrators and a Panel of Conciliators from which governments and private investors who have agreed to submit a dispute to the Center either for conciliation or arbitration can select experienced, impartial and competent arbitrators or conciliators. One of the most noteworthy aspects of the Center is that its jurisdiction will be based entirely on the consent of the parties. No party, either government or private, can be required to submit a dispute to the Center unless it has first consented to do so. Such consent would have to be in writing. A government which ratifies the convention will not by this act give its consent to submit any dispute to the Center. Thus, ratification of the convention by the United States will in no way bind or otherwise commit the United States Government to submit any dispute to the Center.

Consent by the parties can be given either at the time an investment is made or after a dispute arises but, once it is given, the convention states that it may not be withdrawn unilaterally. The arbitration mechanism is set up in such a way that refusal by one party to name its arbitrators after it has given its consent to submit a dispute to arbitration would not prevent arbitration from going forward. In such a situation the Chairman of the Administrative Council of the Center can be requested by a party to appoint the arbitrators not yet appointed. Arbitral awards will be binding on the parties and any monetary damages awarded will be enforcible in the courts of any contracting state. The recommendations of a conciliation commission would not be binding on the parties in view of the essentially voluntary nature of the process of conciliation, although the parties to a conciliation proceeding are required to give such recommendations their most serious consideration.

The Center will be located at the headquarters of the World Bank in Washington, D. C., and it will have an Administrative Council which will consist of one representative from each contracting state. The Chairman of the Administrative Council will be the President of the World Bank. Because of the close association of the Center with the World Bank, the Executive Directors of the Bank have agreed to provide the Center with office space free of charge and to underwrite the basic overhead expenditure of the Center for a period of years. In the light of these undertakings, the United States will not be required to make any financial contribution to the Center at the time the United States becomes a party to the convention or in the foreseeable future. The Center will levy a charge for the use of its facilities which will be payable by the parties to an arbitration or conciliation proceeding, and it is possible that in time the Center will become self-supporting.

The convention will enter into force after it has been ratified by twenty countries. Eight countries have already deposited their instruments of ratification, so that twelve more ratifications are needed to bring the convention into force. In addition to the eight countries that have already submitted their ratifications, another thirty-five countries have signed the convention. A list of the signatories and of the countries that have ratified is attached to my statement. The United States is one of the eight countries that have already deposited instruments of ratification and acceptance of the convention. The Senate Foreign Relations Committee unanimously voted out the convention after having held a hearing on it on March 29 of this year, and on May 16 the Senate by a unanimous vote of 72 to 0 gave its advice and consent to the resolution of ratification of the convention.

I shall now turn to the implementing legislation. As I mentioned, the Center will consist of an Administrative Council, which will be composed of one representative from each contracting state. Also, the Center will maintain a Panel of Conciliators and a Panel of Arbitrators, and each contracting state will be authorized to name four persons to each panel. Section 2 of the bill provides that the President may appoint the U.S. representative to the Administrative Council and name the U.S. panel members.

Section 3 of the bill deals with enforcement of arbitral awards. You will recall that the convention provides that arbitral awards rendered pursuant to the convention shall be enforcible in contracting states. Actually, it is only the pecuniary obligations imposed by an arbitral award, that is, the monetary damages assessed against one of the parties, which the courts of a contracting state will be obligated to enforce. Article 54(1) of the convention states:

> "Each Contracting State shall recognize an award rendered pursuant to this Convention as binding and enforce the pecuniary obligations imposed by that award within its territories as if it were a final judgment of a court in that State. A Contracting State with a federal constitution may enforce such an award in or through its federal courts and may provide that such courts shall treat the award as if it were a final judgment of the courts of a constituent state."

The purpose of section 3 of the bill is to implement article 54(1) of the convention. Section 3(a) states that the pecuniary obligations imposed by an arbitral award shall be enforced and shall be given the same full faith and credit as if the award were a final judgment of a court of general jurisdiction of one of the several states. To give full faith and credit to an arbitral award as if it were a final judgment of a court of one of the several states means that an action would have to be brought on the award in a U.S. district court just as an action would have to be brought in a U.S. district court to enforce the final judgment of a state court. In such an enforcement action, the district court would be required to give full faith and credit to the arbitral award. Essentially, this means that the district courts would be precluded from inquiring into the merits of the underlying controversy.

Section 3(a) also states that the Federal Arbitration Act shall not apply to the enforcement of arbitral awards rendered pursuant to the convention. The Federal Arbitration Act is not an appropriate instrument for enforcing arbitral awards rendered pursuant to the convention. For example, section 9 of that Act provides that an arbitral award may be confirmed as a court judgment, but only if the parties in their agreement had agreed that a judgment of a court shall be entered upon the award, and then the judgment may be entered only by the court specified in the agreement of the parties or, if no court is specified, by the federal court "in and for the district within which such award was made." This section does not fit the convention, which provides for enforcement of awards in the courts of a contracting state regardless of whether judicial enforcement was specifically provided for in the agreement of the parties and also regardless of the place where the arbitral award was rendered. Moreover, the Federal Arbitration Act would permit the courts to vacate an arbitral award on certain grounds, such as the corruption of one of the arbitrators, which under article 52 of the convention ought to be raised through the annulment proceedings provided for in the convention.

Section 3(b) of the proposed legislation states that district courts of the United States shall have exclusive jurisdiction over actions to enforce arbitral awards. This provision is also based on article 54(1) of the convention, which states that in the case of federal states like the United States arbitral awards may be enforced in or through the federal courts. The statement that the jurisdiction of district courts shall be "exclusive" means that arbitral awards shall be enforcible in federal courts and not in state courts.

In conclusion, I strongly urge favorable consideration of H. R. 15785 so that the United States will be in a position to implement its membership in the arbitration and conciliation facility.

This completes my statement, Mr. Chairman. I shall be glad to try to answer any questions.

Attachment

Signatures and Ratifications of the Convention as of June 23, 1966

The following 35 countries have signed the convention:

1. Pakistan
2. Jamaica
3. Niger
4. Upper Volta
5. United Kingdom
6. Morocco
7. Ethiopia
8. Cameroon
9. Japan
10. Sweden
11. Somalia
12. Sierra Leone
13. Nepal
14. Luxembourg
15. Denmark
16. Malaysia
17. Italy
18. Ghana
19. Belgium
20. France
21. Congo (Brazzaville)
22. China
23. Togo
24. Federal Republic of Germany
25. Greece
26. Cyprus
27. Liberia
28. Dahomey
29. Korea
30. Chad
31. Austria
32. Kenya
33. Netherlands
34. Malagasy Republic
35. Malawi

The following 8 countries have ratified the convention:

1. Nigeria
2. Mauritania
3. Central African Republic
4. Ivory Coast
5. Gabon
6. the United States
7. Uganda
8. Tunisia

TREASURY DEPARTMENT

WASHINGTON, D.C.
June 28, 1966

FOR IMMEDIATE RELEASE

DISTRICT DIRECTOR APPOINTED FOR MOBILE, ALABAMA, CUSTOMS DISTRICT

Assistant Secretary of the Treasury True Davis today announced the appointment of Clarence C. Howard of 251 East Irvine Road, Mobile, Alabama, as District Director for the Mobile Customs District.

Mr. Howard has served as Supervising Customs Liquidating Officer for the past several years. In this capacity he directed the management program of the Mobile Customs District. He also has served on occasion as Acting Assistant Collector.

The appointment, which was made in accordance with Civil Service regulations, will become effective immediately.

Mobile is part of the New Orleans Customs Region V, which was activated February 1, 1966, as part of a reorganization plan which placed the 176-year-old Customs Service wholly on a career basis. The appointment of Major General Raymond F. Hufft, USA (Ret.), as Regional Commissioner for the New Orleans Region was announced on January 20, 1966.

Mr. Howard was born in New Market, Alabama, December 13, 1907. He attended the University of Alabama, Tuscaloosa, where he received a bachelor's degree in 1930 and a master's degree in 1932.

After teaching high school science and mathematics courses for seven years, Mr. Howard, in 1939, entered the Customs Service. From 1944 to 1946 he served in the Armed Forces and upon his discharge in December 1946 returned to his Customs career.

He participated in management courses for Customs supervisors, later becoming an instructor for these courses. In 1964, he received a superior performance award from U. S. Commissioner of Customs Lester D. Johnson.

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United States Savings Bonds Issued and Redeemed Through June 30, 1966
(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
RED				
ies A-1935 - D-1941............	5,003	4,994	9	.18
ies F & G-1941 - 1952..........	29,521	29,453	68	.23
ies J and K - 1952 - 1953......	864	847	18	2.08
TURED				
ies E: 3/				
1941........................	1,856	1,606	250	13.47
1942........................	8,190	7,115	1,076	13.14
1943........................	13,183	11,482	1,701	12.90
1944........................	15,370	13,273	2,097	13.64
1945........................	12,061	10,207	1,854	15.37
1946........................	5,439	4,390	1,049	19.29
1947........................	5,137	3,977	1,160	22.58
1948........................	5,300	4,010	1,290	24.34
1949........................	5,225	3,873	1,352	25.88
1950........................	4,564	3,320	1,244	27.26
1951........................	3,952	2,873	1,079	27.30
1952........................	4,137	2,974	1,163	28.11
1953........................	4,719	3,281	1,439	30.49
1954........................	4,803	3,237	1,565	32.58
1955........................	4,999	3,267	1,732	34.65
1956........................	4,815	3,036	1,778	36.93
1957........................	4,512	2,767	1,745	38.67
1958........................	4,364	2,543	1,821	41.73
1959........................	4,085	2,353	1,732	42.40
1960........................	4,079	2,235	1,844	45.21
1961........................	4,103	2,097	2,006	48.89
1962........................	3,949	1,947	2,002	50.70
1963........................	4,384	1,926	2,458	56.08
1964........................	4,279	1,779	2,500	58.42
1965........................	4,189	1,420	2,769	66.10
1966........................	1,344	148	1,196	88.99
lassified...................	504	552	-48	--
al Series E.................	143,541	101,688	41,853	29.16
es H (1952 - Jan. 1957) 3/...	3,670	1,961	1,710	46.59
H (Feb. 1957 - 1966).......	7,440	1,321	6,119	82.24
al Series H.................	11,111	3,282	7,829	70.46
al Series E and H...........	154,651	104,970	49,682	32.13
es J and K (1954 - 1957)......	2,877	2,021	4/ 856	29.75
Total matured.........	35,388	35,293	95	.27
Series Total unmatured.......	157,528	106,991	50,537	32.08
Grand Total...........	192,916	142,284	50,632	26.25

ncludes accrued discount.
urrent redemption value.
t option of owner bonds may be held and will earn interest for additional
eriods after original maturity dates.
ncludes matured bonds which have not been presented for redemption.

BUREAU OF THE PUBLIC DEBT

TREASURY DEPARTMENT
Washington

FOR RELEASE: UPON DELIVERY

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AT
CEREMONIES COMMEMORATING THE FIRST OFFICIAL
FOURTH OF JULY CELEBRATION IN AMERICA
IN
SALEM SQUARE, WINSTON-SALEM, NORTH CAROLINA
MONDAY, JULY 4, 1966, 10:45 A.M., EST

It is with a very deep sense of honor and privilege that I come here today, on behalf of President Johnson, to share with you so meaningful and memorable an occasion for Winston-Salem, for North Carolina and for America.

No American could fail to understand your intense pride in the knowledge that one hundred and eighty three years ago, in this square, in what was once the city of Old Salem, your forefathers gathered for the first official celebration of the Declaration of Independence -- a celebration whose original simplicity and splendor came to life once more only moments ago as we listened and were moved by the same Moravian music that once long ago filled this square and the hearts of all here assembled.

And no American could fail to understand the intense pride of all North Carolinians in the knowledge that, in the Halifax Resolves of April 12, 1776, North Carolina became the first colony to declare, officially and explicitly, its support for absolute separation from Great Britain and for full national independence.

No American could fail to understand, for in those few, familiar words of the Declaration of Independence -- ". . . that all Men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty, and the Pursuit of Happiness -- That to secure these Rights, Governments are instituted among Men, deriving their just Powers from the Consent of the Governed. . . ." -- in those few, familiar words are embodied those ideas and ideals that underlie all we are as Americans and all we aspire to be.

The act of Independence on July 2, 1776 -- and the Declaration of Independence on July 4, 1776 -- marked one of those moments in history which was radically to alter the entire course of history -- a moment that was to have a profound impact not only upon the lives of all generations of Americans to come, but upon the lives of all mankind as well.

I do not think we are always aware of how extraordinary that moment was in the history of man -- and how unique is America and all it means.

"America," wrote the Englishman G. K. Chesterton, "is the only nation in the world that is founded on a creed. That creed is set forth with dogmatic and even theological lucidity in the Declaration of Independence; perhaps the only piece of practical politics that is also theoretical politics and also great literature."

Or to quote the words of a contemporary American scholar: ". . .it can be said that the revolution which gave birth to the United States is the only true revolution in history, because it is the only one in which men as creatures of history rationally chose to become its creators, to start history afresh by ridding themselves of its burdens and heeding its lessons, to give their nation a novel purpose. . . .The American revolution was an attempt not at restoring an ancient order that was supposed to have existed previously, but at creating a new order of things the like of which had never been seen before."

That revolution, therefore, did not end with the surrender of Cornwallis. It continues and will never cease to continue as each generation of Americans seeks, in the context of its own times, to bring the America it knows closer to the America it dreams. It continues and will never cease to continue as each generation of Americans seeks, in the context of its own times, to give new life to those beliefs that first gave life to the nation in which we live.

Today, as nearly two centuries ago, that revolution rests upon the conviction that all men equally and alike are members of the same human race, no man more than any other -- that all men equally and alike share those rights and those responsibilities that are inherently human -- and beyond this, that every man, in common with every other man, has a unique dignity and destiny.

This, then, is our faith -- that all men are equal and that every man is unique, that all men have an equal right to the freedom and the opportunity to fulfill themselves both as men sharing a common humanity and as men possessing a distinct and unique individuality.

We know, as our forefathers knew, that no man is exactly like another -- one is brighter than another, one has different interests than another, one works harder than another. These are natural differences -- the very differences we seek to afford the freedom and the opportunity to flourish and, so, immeasurably to enrich our lives as individuals and as a people.

We must also know, as our forefathers knew, that these differences cannot flourish -- that we cannot fulfill ourselves as individuals -- unless we are all assured the full and free exercise of those rights we all share in common. We must know that these differences cannot flourish -- that we cannot fulfill ourselves as individuals -- when we seize upon other differences, of race, of religion, of economic circumstance -- differences innocent enough in themselves until we make of them artificial barriers that stifle talent, that diminish individual opportunity and deny human rights.

If we would live by the faith that is ours, we cannot deny to others the rights we demand for ourselves -- we cannot deny the dignity of another as an individual or as a man without demeaning our own.

For this is our creed, if it has not always been our conduct. In that, we are no different from other men -- for it has always been in the history of man that between the creed and the conduct, the ideal and the deed, the distance is often very great. But we do differ from other men in that we are the direct heirs of a revolution that requires of us, as it gives us, more than is required of others or given to them.

And it can be said of us that if the distance is still great between what our deeds and what our ideals declare, it is not as great today as it was five or ten or twenty years ago -- and it is growing smaller day by day.

We are, in our own land, continuing to break down the barriers of poverty and prejudice and ignorance. We are continuing to hasten the day when ability to learn rather than ability to pay will be the sole standard of educational opportunity in America -- when no American need fear the economic consequences of unemployment, of old age, or of ill health -- when our political, our social, our moral and our physical environment shall offer to every American, of every race, creed and color, abundant incentive and opportunity for a full and free life.

And we are, in the world we share with other nations, continuing to do all we can to extend the frontiers and the fruits of freedom and to advance the prospects of peace. We are continuing to do all we can to help others in their struggle to achieve for themselves the independence and the abundance that we have achieved.

We are therefore doing in our time what is asked of all Americans in their time: that with all our resources we wrestle with the problems of our time, that with all our resolve we seek to realize in our time the ideals that are America's for all time, so that our lives and the lives of those after us will be fuller and more free.

We are struggling, like all generations of Americans before us and all generations to come, to bring to life what Abraham Lincoln once called that ". . .something in the Declaration giving liberty, not alone to the people of this country, but hope to the world for all future time . . . that which gave promise that in due time the weight should be lifted from the shoulders of all men, and that all should have an equal chance."

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TREASURY DEPARTMENT

WASHINGTON. D.C.

R RELEASE 6:30 P.M.,
iday, July 1, 1966.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced that the tenders for two series of Treasury lls, one series to be an additional issue of the bills dated April 7, 1966, and e other series to be dated July 7, 1966, were opened at the Federal Reserve Banks day. Tenders were invited for $1,300,000,000, or thereabouts, of 91-day bills d for $1,000,000,000, or thereabouts, of 182-day bills. The details of the two ries are as follows:

NGE OF ACCEPTED PETITIVE BIDS:	91-day Treasury bills maturing October 6, 1966		:	182-day Treasury bills maturing January 5, 1967	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	98.822 a/	4.660%	:	97.542 b/	4.862%
Low	98.778	4.834%	:	97.488	4.969%
Average	98.804	4.731% 1/	:	97.515	4.915% 1/

a/ Excepting 2 tenders totaling $5,153,000; b/ Excepting 3 tenders totaling $1,991,000
41% of the amount of 91-day bills bid for at the low price was accepted
25% of the amount of 182-day bills bid for at the low price was accepted

AL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

istrict	Applied For	Accepted	:	Applied For	Accepted
oston	$ 23,004,000	$ 13,004,000	:	$ 4,093,000	$ 4,093,000
ew York	1,395,984,000	882,134,000	:	1,151,291,000	747,291,000
hiladelphia	33,524,000	33,524,000	:	15,342,000	15,342,000
leveland	23,686,000	23,686,000	:	35,196,000	30,196,000
ichmond	11,500,000	11,500,000	:	2,435,000	2,435,000
tlanta	41,154,000	41,154,000	:	38,581,000	20,581,000
hicago	182,654,000	127,654,000	:	170,931,000	95,931,000
. Louis	43,500,000	41,500,000	:	22,367,000	19,992,000
nneapolis	17,267,000	17,267,000	:	9,165,000	9,165,000
nsas City	23,784,000	23,784,000	:	13,087,000	12,587,000
llas	18,976,000	15,976,000	:	12,652,000	8,652,000
n Francisco	68,903,000	68,903,000	:	63,272,000	33,772,000
TOTALS	$1,883,936,000	$1,300,086,000 c/		$1,538,412,000	$1,000,037,000 d/

ncludes $221,137,000 noncompetitive tenders accepted at the average price of 98.804
ncludes $102,329,000 noncompetitive tenders accepted at the average price of 97.515
hese rates are on a bank discount basis. The equivalent coupon issue yields are
.85% for the 91-day bills, and 5.11% for the 182-day bills.

TREASURY DEPARTMENT

WASHINGTON, D.C.

July 1, 1966

FOR IMMEDIATE RELEASE

GOVERNMENT RECEIPTS AND EXPENDITURES FOR FISCAL 1966

The Treasury Department today issued the following statement:

> There will be no information or comment on the revenue or expenditure totals for fiscal 1966 before July 21. While the final official figures are being compiled, any estimates would be speculative and unreliable.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 6, 1966

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 $2,300,000,000,or thereabouts, for cash and in exchange for Treasury bills maturing July 14, 1966, in the amount of $2,300,818,000, as follows:

91-day bills (to maturity date) to be issued July 14, 1966, in the amount of $1,300,000,000, or thereabouts, representing an additional amount of bills dated April 14, 1966, and to mature October 13, 1966,originally issued in the amount of $1,000,253,000,the additional and original bills to be freely interchangeable.

182-day bills, for $1,000,000,000, or thereabouts, to be dated July 14, 1966, and to mature January 12, 1967.

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving time, Monday, July 11, 1966. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for each issue for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on July 14, 1966, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 14, 1966. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 6, 1966

In response to inquiries Assistant Secretary of the Treasury Robert A. Wallace made available the following information on the supply of coins and the resumption of current dating of coins, for use in morning papers of Thursday, July 7.

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Attachment

F-533

TREASURY DEPARTMENT

WASHINGTON, D.C.

July 6, 1966

FOR USE IN MORNING NEWSPAPERS
THURSDAY, JULY 7, 1966

BACKGROUND INFORMATION ON COIN DATING

As a device to lessen demand for coins by collectors during the coin shortage that developed in 1963 and 1964 the Treasury Department requested, and the Congress approved (September 3, 1964), a law permitting the Secretary of the Treasury to continue the 1964 date on all coins after the end of 1964. Traditionally, all U. S. coins have been dated the year of their manufacture.

The Coinage Act of 1965 included provisions specifying that coins must be dated the year of manufacture, or the year of issuance, except that the Secretary of the Treasury was given authority to continue the dates into succeeding years. Under provisions of that Act, all new alloy coins authorized by the Coinage Act of 1965 (non-silver dimes and quarters, and 40 percent silver half dollars) have been dated 1965. The dates on pennies and nickels were changed to 1965 late last year and have continued to bear that date. No silver dollars are being made.

The Secretary of the Treasury has now determined that Federal Reserve and Mint inventories of coins are of such a size that continuation of last year's date is no longer justifiable. Beginning August 1, 1966, therefore, all coins will be inscribed with the 1966 date, until January 1, 1967, at which time current annual dating of coins will be resumed.

This means that the recent coin shortage will not result in a gap in the annual dating of the United States minor and subsidiary coinage, and that there will be large numbers of all denominations of such coins bearing the dates 1964, 1965 and 1966.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

R RELEASE 6:30 P.M.,
nday, July 11, 1966.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced that the tenders for two series of Treasury lls, one series to be an additional issue of the bills dated April 14, 1966, and other series to be dated July 14, 1966, which were offered on July 6, 1966, re opened at the Federal Reserve Banks today. Tenders were invited for ,300,000,000, or thereabouts, of 91-day bills and for $1,000,000,000, or thereouts, of 182-day oills. The details of the two series are as follows:

GE OF ACCEPTED PETITIVE BIDS:	91-day Treasury bills maturing October 13, 1966		:	182-day Treasury bills maturing January 12, 1967	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	98.793 a/	4.775%	:	97.506	4.933%
Low	98.746	4.961%	:	97.447	5.050%
Average	98.768	4.876% 1/	:	97.473	4.999% 1/

a/ Excepting two tenders totaling $208,000
32% of the amount of 91-day bills bid for at the low price was accepted
51% of the amount of 182-day bills bid for at the low price was accepted

AL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

istrict	Applied For	Accepted	:	Applied For	Accepted
oston	$ 32,177,000	$ 22,177,000	:	$ 10,703,000	$ 10,703,000
ew York	1,416,167,000	787,167,000	:	1,230,264,000	573,564,000
hiladelphia	33,452,000	26,452,000	:	30,790,000	22,790,000
leveland	35,727,000	35,727,000	:	42,702,000	37,702,000
ichmond	14,543,000	14,543,000	:	5,246,000	5,246,000
tlanta	57,820,000	57,820,000	:	47,819,000	35,819,000
hicago	170,181,000	135,181,000	:	219,269,000	136,819,000
t. Louis	61,111,000	52,111,000	:	25,851,000	21,851,000
inneapolis	17,699,000	17,699,000	:	9,509,000	9,509,000
ansas City	44,764,000	44,764,000	:	26,451,000	24,451,000
allas	32,752,000	19,702,000	:	11,948,000	11,898,000
an Francisco	191,668,000	86,668,000	:	159,684,000	109,684,000
TOTALS	$2,108,061,000	$1,300,011,000 b/		$1,820,236,000	$1,000,036,000 c/

Includes $311,840,000 noncompetitive tenders accepted at the average price of 98.768
Includes $147,428,000 noncompetitive tenders accepted at the average price of 97.473
hese rates are on a bank discount basis. The equivalent coupon issue yields are .01% for the 91-day bills, and 5.20% for the 182-day bills.

TREASURY DEPARTMENT

WASHINGTON, D.C.
July 11, 1966

FOR IMMEDIATE RELEASE

TREASURY SECRETARY FOWLER APPOINTS JEROME KURTZ AS TAX LEGISLATIVE COUNSEL

Secretary of the Treasury Henry H. Fowler today appointed Jerome Kurtz, of Philadelphia, as the Treasury's Tax Legislative Counsel.

Mr. Kurtz, 35, has been with the law firm of Wolfe, Block, Schorr and Solis-Cohen since 1955 and has been a partner in that firm since early 1964. Mr. Kurtz replaces Lawrence M. Stone, who has resigned to teach law at the University of California at Berkeley.

As the Treasury's Tax Legislative Counsel, Mr. Kurtz will direct a staff of lawyers and accountants furnishing advice and assistance on tax policy matters to Stanley S. Surrey, Assistant Secretary of the Treasury for Tax Policy, and to other Treasury officials. The Office of Tax Legislative Counsel also reviews, and assists in the development of, tax regulations, rulings and other tax matters.

Mr. Kurtz was graduated magna cum laude from the Harvard Law School in 1955. He served for two years on the board of editors of the Harvard Law Review. In 1952, he received his B.S. degree in accounting, with honors, from Temple University.

Mr. Kurtz is a native of Philadelphia. He was licensed as a certified public accountant by the State of Pennsylvania in 1953, and was admitted to law practice in 1955. He is a member of the American Bar Association, and the Pennsylvania and Philadelphia Bar Associations, and taught tax law at the Villanova Law School in 1964-1965.

Mr. Kurtz served with the Army in 1956 and 1957.

He is married to the former Elaine Kahn of Philadelphia, and they have two daughters. They will reside at 3000 R St., N.W., in Washington.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 12, 1966

FOR IMMEDIATE RELEASE

DISTRICT DIRECTOR NAMED FOR WILMINGTON, NORTH CAROLINA CUSTOMS DISTRICT

Assistant Secretary of the Treasury True Davis today announced the appointment of William J. O'Shea, as District Director of the Wilmington, North Carolina Customs District. He succeeds Alfred R. DeAngelus who has been transferred to the Bureau of Customs headquarters in Washington, D. C.

Mr. O'Shea will take over his new duties on July 15. He will report to Regional Commissioner James H. Stover in Miami, Florida, the headquarters of Customs Region IV. Ports within the jurisdiction of the Wilmington Customs District include: Beaufort-Morehead City; Charlotte; Durham; Elizabeth City; Elkins; Reidsville, Winston-Salem; and Wilmington all in North Carolina.

Mr. O'Shea's appointment was made in accordance with Civil Service regulations from among a number of qualified candidates, in keeping with the recent reorganization of the U. S. Customs Service on a career basis.

BIOGRAPHICAL SKETCH OF MR. O'SHEA

Mr. O'Shea was born in New York City on February 17, 1930. He received his B.A. degree at Iona College in New Rochelle, New York, and a law degree at Brooklyn Law School. During 1951-1954 he served with the Counter Intelligence Corps of the U.S. Army.

He entered the Customs Service in 1957 as a Customs Agent after several years at the First National City Bank in New York. He was transferred in 1962 to Wilmington, North Carolina as Customs Agent in Charge.

Mr. O'Shea lives with his family (1431 Robert E. Lee Drive) in Wilmington, North Carolina.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 12, 1966

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN JUNE

During June 1966, 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 $59,436,400.00.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 13, 1966

FOR IMMEDIATE RELEASE

Secretary of the Treasury Henry H. Fowler today sent the attached letter to Representative Al Ullman, in response to a letter from Representative Ullman to President Johnson previously made public by the Congressman. Representative Ullman's letter is also attached.

Attachments

COPY

THE SECRETARY OF THE TREASURY
WASHINGTON

July 12, 1966

Dear Al:

Since in your letter to the President, made public, you referred to the extended conference Chairman Ackley and I had with you on the subject of your subsequent letter, several comments are offered to round out the picture.

You refer to the fact that "although they were most cordial and helpful, they did not offer any satisfactory hope that actions would be taken to bring interest rates back into line."

You have put your finger on one of the toughest problems we face today.

There seems little question that the additional demands placed upon the economy as an accompaniment to our expanded operations in Southeast Asia called for a shift from a policy of fiscal and monetary stimulus to one of restraint, if inflationary pressures were to be minimized.

The President has made every effort to hold down expenditures in fiscal 1966 and this together with the rising revenues reduced the budget deficit for the fiscal year ended June 30 to quote his words "less than one-half" of what was expected last January.

The President also made every effort to hold down the fiscal 1967 budget to the bare minimum, but, as you know, the Congress seems to be in the process of adding to it. Present indications are that Congress may add from three to four billion dollars to the President's budget this year. As you know, with his full backing and support, the Director of the Budget and I have been working hard to encourage those responsible for appropriations to hold down the levels of final appropriations to those proposed in the budget.

Moreover, the Congress responding to recommendations from the President has changed our tax policy sharply away from the stimulative direction of past years of 1964 and 1965 to one of moderate restraint. You and your colleagues on the Ways and Means Committee have helped to accomplish this change which was the objective of hearings before the passage of the Tax Adjustment Act in March. As a result of provisions in that Act, the speedup in collection of income and social security taxes withheld by employers by Treasury regulation, increases in revenues over previous estimates because of rising levels of income, the impact of social security and medicare taxes which became effective in January and a successful savings bonds campaign, we are drawing out of the economy this calendar year through these fiscal measures approximately $13 billion more than was thought to be the case last December.

This brings us back to the action of the Federal Reserve Board early last December in the field of monetary policy which is the burden of complaint in your letter. In December 1965 the Board announced two actions designed in its words "to dampen mounting demands on banks for still further credit extensions that might add to inflationary pressures." You are fully aware from the statement made by the President thereafter and various public comments I made in Congressional hearings and other public statements before and after these actions that the Administration opposed the action taken at the time. My own point of view publicly held and privately urged can be summarized in a public statement made on November 29 prior to the action. I said "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 an 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."

Then on December 5, in Austin, after the Board action, the President said:

> "The Federal Reserve Board is an independent agency. Its decision was an independent decision.
>
> "I regret, as do most Americans, any action that raises the cost of credit, particularly for homes, schools, hospitals, and factories.

> "I particularly regret that this action was taken before January when we will have before us the full facts on next year's budget, Vietnam costs, housing starts, State and local spending, and other elements in the economic outlook.
>
> "The decisions to be taken within the next few weeks by the administration will significantly affect the course of economic development.
>
> "My view and the view of the Secretary of the Treasury and the Council of Economic Advisers is that the decision on interest rates should be a coordinated policy decision in January, when the nature and impact of the administration's budgetary and Vietnam decisions are known. This view was apparently shared by three of the seven Board members.
>
> "The action has already been taken. Under the circumstances, I will continue to do my best to give the American people the kind of fully coordinated, well-integrated economic policy to which they are entitled, which has been so successful for the last 58 months, and which I hope will preserve the price stability so necessary for America's continued prosperity."

Subsequent developments have confirmed the need for coordination -- in the fiscal, expenditure, monetary and debt management areas in order to arrest the rapid escalation of interest rates which concerns me as much as it concerns you. There are, and have been, pending before the House Banking and Currency Committee a series of proposals designed specifically to minimize the highly selective impact of monetary policy and increasing interest rates on the housing industry about which you have expressed considerable misgivings.

The Administration has supported the enactment of legislation to enlarge the borrowing authority of the Federal National Mortgage Association.

In an appearance before the House Banking and Currency Committee on May 19, I urged the enactment of a temporary restraint on excessive competition for consumer-type savings by banks and savings and loan organizations "both to protect the structure of the thrift institutions and to bolster the flow of funds to the home building industry." I submitted specific legislation designed to achieve that objective by authorizing the Federal Reserve Board to set differing rate ceilings on time deposits of differing amounts.

In the light of intervening events it has seemed necessary and desirable to enlarge this program to take into account the apparent unwillingness of the Federal Reserve Board to exercise this power even if granted by the Congress and the lack of authority in the Federal Home Loan Bank Board to prevent excessive rate competition for savings among members of the Home Loan Bank system.

Since the return of Members of the Congress from recess I and members of my Department and others in the Administration have requested the members of that Committee to take prompt legislative action to check the escalating trend of interest rates for commercial bank consumer-type deposits and savings and loan association shares. Our suggestions include: (1) a legislated temporary ceiling at an appropriate level applying to commercial bank time deposit interest rates and to savings and loan association dividend rates in accounts up to $100,000; (2) discretionary authority to the Federal Reserve to differentiate among different kinds of deposits in setting maximum interest rates for member banks; (3) similar discretionary authority to the Federal Deposit Insurance Corporation to cover those banks which are not members of the Federal Reserve System; (4) authorit for the Federal Home Loan Bank Board to set maximum dividend rates for members of that system.

I would encourage you and your colleagues to get behind these and related legislative proposals designed to deal specifically with the problem you discussed with Chairman Ackley and me concerning the highly selective impact of monetary policy on the housing industry and the lumber industry in your district.

I can assure you of complete agreement of the Administratior with your expressed sentiment that "every medium of government should be marshalled to restore the healthy balance of monetary and fiscal policy required for continued prosperity."

With best regards,

Sincerely,
/s/ "Joe"
Henry H. Fowler

The Honorable
Al Ullman
House of Representatives
Washington, D. C.

AL ULLMAN
2D DISTRICT, OREGON

COMMITTEE ON
WAYS AND MEANS

Congreſs of the United States
House of Repreſentatives
Waſhington, D.C. 20515

27 June 1966

Honorable Lyndon B. Johnson
The White House
Washington, D. C.

Dear Mr. President:

As a member of the Ways and Means Committee I have strongly supported the "new economics" of your administration, and in my public statements have been an outspoken advocate of policies to promote sustained growth in the economy. I regret very deeply that I now must strongly differ with the Administration on what I consider to be an abandonment of the principles we have been following.

In my judgment, unless corrective action is taken soon, the tight money policies imposed by the Federal Reserve Board and supported by recent actions of your Administration will destroy the economic gains we have made.

Within the past week, I had an extended conference with Secretary Fowler and Gardner Ackley on this matter. Although they were most cordial and helpful, they did not offer any satisfactory hope that actions would be taken to bring interest rates back into line. Mr. President, the near panic rush throughout the financial community in recent months to hike interest rates has raised a warning of impending consequences that cannot be disregarded. Only direct action by your office can reverse this disastrous trend.

I submit, Mr. President, that this Administration cannot afford either politically or economically to be swept along, compounding the initial folly of the Federal Reserve

Board, by engaging in such high interest policies as 5 3/4 per cent sales participation offerings and increased Federal loan rates. Every instrument of government should be marshaled to restore the healthy balance of monetary and fiscal policy required for continued prosperity. Through the successes of the past five years, we are on the verge of proving to ourselves and to the world that by enlightened government policies, a private enterprise economy can avoid the boom and bust cycles and can accelerate growth to meet the challenges of unemployment, expanding population, and economic opportunity for all. The lack of restraint in the use of monetary policy will surely bring this successful era to an end.

Just as a mixed monetary and fiscal policy has proved successful in generating growth, the same mixture is essential in restraining an overheating economy. High interest rates will not do the job. They are inflationary in themselves. They have not succeeded in slowing investment in plant capacity, nor--with the single exception of housing--have they slowed the rising level of personal debt. They have instead contributed significantly to higher costs that are certain to be reflected in the consumer price index.

In the area of fiscal restraints, I recognize that the Administration has made a concerted effort to hold down expenditures and to reduce operating costs to a minimum. In addition, however, I hope that consideration will be given to other fiscal tools that will go directly to the danger points in the economy. Revisions in the Investment Tax Credit may be in order, to make its provisions applicable only to businesses and industries where expansion is vital to national defense or to encourage continued growth in other selective areas that are important to the national interest. Because of the sacrifices in lives and resources being made to fulfill our commitment in Viet Nam, it may also be appropriate to consider means of curbing excess profits, particularly among defense-oriented industries. A request for standby authority in these and other areas of taxation might well provide the psychological restraint necessary to bring inflationary pressures under control without hindering a desirable rate of growth.

You, Mr. President, are the only one who can effectively express and implement the basic policies and programs to meet this crisis in our economy. I urge you to do so.

Sincerely,

Al Ullman, M. C.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 13, 1966

FOR RELEASE MORNING NEWSPAPERS OF
THURSDAY, JULY 14, 1966

TREASURY TAX EXPERT RECEIVES
EXCEPTIONAL SERVICE AWARD

Secretary of the Treasury Henry H. Fowler today presented the Treasury's Exceptional Service Award to Lawrence M. Stone, who has served for more than two years as Tax Legislative Counsel.

Mr. Stone, 35, previously served in the Treasury in 1961 and 1962, and rejoined the Department in May 1964 as Tax Legislative Counsel. He has resigned, effective July 15, to return to California where he will teach law at the University of California, at Berkeley.

The citation praised Mr. Stone for joining "exceptional ability with sound judgement and a sensitive awareness of the concerns of all affected by tax policy decisions."

Stanley S. Surrey, Assistant Secretary of the Treasury for Tax Policy, also praised Mr. Stone at the award ceremony for his skills in guiding a staff of tax lawyers and accountants working on tax policy matters and for his ability to present the Treasury's viewpoint on tax questions "forcefully and clearly."

Mr. Stone, a native of Malden, Massachusetts, graduated from the Harvard Law School in 1956. He was a staff member of the American Law Institute until 1957.

He was associated with a Beverly Hills, California, tax law firm from 1957 to 1961, when he joined the Treasury's tax staff to work on the Revenue Act of 1962, and other administrative and legislative matters. From 1962 to 1964, he returned to his West Coast tax law practice, before rejoining the Treasury as Tax Legislative Counsel in May 1964.

Mr. Stone is a member of the State Bars of California and Massachusetts, the Federal Bar Association and the American Bar Association.

Mr. Stone's citation is attached.

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Attachment

CITATION

Exceptional Service Award

Lawrence M. Stone

As Tax Legislative Counsel of the Treasury Department, you have successfully guided a talented office of lawyers versed in tax knowledge. That office carries a major share of the responsibility for the Department's role in the tax policy field.

You have exhibited outstanding professional competence in a position where the issues and problems know no boundaries of subject matter. Whether the substantive form be legislation or regulation or other expression of tax policy, you have joined exceptional ability with sound judgment and a sensitive awareness of the concerns of all affected by tax policy decisions.

These talents have been widely recognized and have brought to you -- and the Department -- the high regard of the Congress and the community of tax practitioners. You have served the Department well in a task where so much is at stake in the accomplishment of the Department's role in our Government.

TREASURY DEPARTMENT

WASHINGTON, D.C.

July 13, 1966

FOR IMMEDIATE RELEASE

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $2,300,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing July 21, 1966, in the amount of $2,301,882,000, as follows:

91-day bills (to maturity date) to be issued July 21, 1966, in the amount of $1,300,000,000, or thereabouts, representing an additional amount of bills dated April 21, 1966, and to mature October 20, 1966, originally issued in the amount of $1,001,924,000, the additional and original bills to be freely interchangeable.

182 -day bills, for $1,000,000,000, or thereabouts, to be dated July 21, 1966, and to mature January 19, 1967.

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving time, Monday, July 18, 1966. 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 th Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasur expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for each issue for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on July 21, 1966, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 21, 1966. Cash and exchange tend will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 13, 1966

FOR IMMEDIATE RELEASE

TREASURY DECISION ON SHOES UNDER THE ANTIDUMPING ACT

The Treasury Department has completed its investigation with respect to the possible dumping of leather shoes, in men's and boys' sizes, welt construction, from Poland. A notice of intent to close this case with a determination that this merchandise is not being, nor likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended, will be published in an early issue of the Federal Register.

Shortly after the commencement of the antidumping investigation, sales to the United States of the merchandise were terminated. The exporter gave assurances that if sales to the United States are resumed they will not be below fair value. The complainant being informed of this fact withdrew his complaint.

Appraisement of the above-described merchandise from Poland will continue to be withheld pending further determination.

Imports of the involved merchandise received during the period May 1, 1964, through May 31, 1965, were valued at approximately $144,000. There were no shipments after May 31, 1965.

TREASURY DEPARTMENT

WASHINGTON, D.C.

July 14, 1966

FOR IMMEDIATE RELEASE

WHITE HOUSE POLICE CAPTAIN GLENARD E. LANIER PROMOTED TO INSPECTOR

United States Secret Service Director James J. Rowley today announced the promotion of Captain Glenard E. Lanier of the White House Police to Inspector, the second highest position on the White House Police. Captain Lanier replaces Inspector Kenneth M. Burke who retired on disability June 30, 1966.

Inspector Lanier was the first member of the White House Police to receive a Certificate in Police Administration from American University under the Police Sponsorship Program. He is a graduate of the Washington Police Academy, the FBI National Academy, and American University, where he received a degree in Business Administration.

Inspector Lanier, 51, is a native of Petersburg, Virginia. He was appointed to the Metropolitan Police Department on October 1, 1940, and transferred to the White House Police on April 9, 1942.

Inspector Lanier is married to the former Francis Sutters of Washington, D. C. Their daughter, Mrs. Sandra Rowlett, lives in Washington, D. C. Their son Kenneth attends the Richmond Professional Institute. The Laniers live at 935 South Wakefield Street, Arlington, Virginia.

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TREASURY DEPARTMENT
Washington

FOR RELEASE ON DELIVERY

REMARKS BY THE HONORABLE FREDERICK L. DEMING,
UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS,
AT THE THIRD INTERNATIONAL INVESTMENT SYMPOSIUM
AT THE HARVARD CLUB, BOSTON, MASSACHUSETTS,
ON THURSDAY, JULY 14, 1966, AT 8:30 P.M. (EDT)

ECONOMIC GROWTH AND INTERNATIONAL LIQUIDITY

I.

Almost five years ago, the Annual Meeting of the International Monetary Fund witnessed the birth of what has come to be called the Group of Ten. This Group comprises the United States, the United Kingdom, Canada, Japan, Sweden, Germany, France, Italy, Belgium, and the Netherlands -- ten major industrial and financial nations which came together to further international monetary cooperation. A year later, the Group established the General Arrangements to Borrow, under which it agreed to lend up to $6 billion in its currencies to the Fund, under particular circumstances and conditions. The amounts pledged are over and above each country's quota in the Fund. Of the $6 billion, the U. S. pledge is equivalent to one-third, the U. K.'s, one-sixth, the five Common Market members combined, 41 percent, and the other three countries, 9 percent.

In 1963, the Group began to study the subject of international liquidity. It had no monopoly on this subject, of course; studies had been going on in the Fund for years, and various governments, officials and academics had, from time to time, put forward proposals for new types of reserve assets and ways to adapt and improve existing liquidity arrangements. And, since the real world does not always wait for complete analyses and perfect plans before it does something, there had been some steps taken to improve the mechanisms of international liquidity -- for example, the development of short-term swap arrangements, most notably the swap network based on the Federal Reserve System.

In the summer of 1964, the Ten reported that it found no current shortage of international liquidity but that there might be more needed in the future. Thus, its Ministers and Governors charged their Deputies with continuing study of the subject and particularly asked the Deputies to examine carefully the technical problems involved in the creation of new reserve assets. At the same time, the Group recommended that there be a general increase in Fund quotas.

Secretary Fowler, in a speech made last July, noted the work that had been done, both in general and technical study, and called for the beginning of actual negotiations aimed at producing a specific plan for future reserve asset creation. He suggested the establishment of a preparatory committee, which would produce such a plan for submission to an international monetary conference for discussion and approval, and stated that the United States would participate in such a conference, should one be called.

Last fall, at the time of the Fund Annual Meeting, the Ministers and Governors of the Ten gave their Deputies a new mandate, which asked the Deputies to "... determine and report ... what basis of agreement can be reached on improvements needed in the international monetary system, including arrangements for the future creation of reserve assets, as and when needed, so as to permit adequate provision for the reserve needs of the world economy." The Ministers and Governors also stated that "... as soon as a basis for agreement on essential points has been reached, it will be necessary to proceed from this first phase to a broader consideration of the questions that affect the world economy as a whole."

The Deputies' Report will be discussed by the Ministers and Governors of the Ten at the Hague late this month. At that point, they will determine whether, in their judgment, there has been sufficient basis for agreement to proceed into the second phase and presumably will, if they so determine, suggest ideas for the form and nature of the second phase.

Meanwhile, other work in the field of international liquidity and reserve asset creation has been proceeding, both in the Executive Board of the Fund and in other organizations. Thus, the time seems ripe to proceed to a second phase, which would produce a specific plan for reserve asset creation.

I have outlined here the work that has been done in this field. Now let me examine with you the reasons for such work, the importance of the subject, and the problems involved in it.

II.

In an address last March in Chicago, the Managing Director of the International Monetary Fund, Mr. Pierre-Paul Schweitzer, made a number of penetrating comments on the adequacy of international liquidity and the need for reserves. He commented that the problem of adequacy of international liquidity is fundamental but, unfortunately, is also "exceedingly elusive." There is recognition that an adequate level of liquidity is needed to sustain the expansion of world trade and world economic growth, but this does not resolve the question of what is the adequate level. In his view, liquidity is adequate when it is "... not so scarce as to force countries to balance their accounts at the expense of stifling national and international growth but, at the same time, not so plentiful that countries can continue to run deficits without regard to the international consequences of those deficits in stimulating inflationary pressures abroad."

Mr. Schweitzer pointed out that the amount of liquidity available in the recent past had probably been about right. He suggested that, if it had been too little, international trade could hardly have grown as much as it has, nor could so many countries have achieved and maintained high rates of growth and high levels of employment. If the amount of liquidity had been too great, there would, he thought, almost certainly be greater evidence of inflation than there is at present.

Over the past fifteen years, Free World reserves have increased at an average annual rate of about 2-1/2 percent. But that figure masks an increase of 5-1/2 percent per year in the world outside the United States and a decline in United States reserves. Of the 5-1/2 percent per year, or $30 billion, gain in reserves outside the United States, new monetary gold supplies provided about one-quarter. Another relatively small amount came from the operations of the IMF, where certain claims that can be exercised virtually at will are treated as part of world reserves. Nearly all the remainder was in the form of dollar balances accumulated by foreign countries or in gold taken from U. S. reserves as previously-accumulated official dollar balances were converted into gold.

There are two important points to note here. First, United States reserves, which are held primarily in the form of gold, have declined in the postwar period. In part, that decline can be viewed as desirable, in that it permitted a better distribution of reserves. But the United States cannot go on losing reserves indefinitely; in fact, it also needs to increase its reserves over time.

Second, newly-mined gold has provided less than one percent per year growth to total monetary reserves over the past fifteen years. While the 5-1/2 percent per year increase in total reserves outside the United States may be more than adequate, and the 2-1/2 percent rate which includes U. S. figures may be closer to being a desirable rate, there is little question that less than one percent is far too little. Thus, it would seem to follow that some new form of reserve asset creation is necessary.

The fact that there is not clear-cut acceptance of this position arises from the belief in a number of Continental European countries that the past situation has not been ideal and that the rising level of their reserves has given some impetus to inflationary pressures in their economies. In other words, they might have preferred a slower rate of reserve growth themselves. With most of them, the principal domestic problem has been restraining excessive demands on resources, rather than a deficient rate of economic progress.

At the same time, there is rather general realization in most countries that to swing from a position in which reserves of countries outside the United States were growing at the rate of 5-1/2 percent a year to dependence on very small supplies of new monetary gold would mean cutting down reserve increments to a fraction of recent additions to reserves. This could well be a serious and risky undertaking. Hardly anyone in Europe expects that gold supplies alone would meet the world's need for additional reserves for a very long time.

There seems to be no precise quantitative formula that can produce an optimum figure for reserve growth. In simple terms, we need enough reserve growth to permit countries which wish to increase their reserves to do so without simultaneously forcing other countries to reduce their reserves too much. An international judgment of optimum reserve growth must balance the advantages of avoiding strains on the international payments system from overly-restrictive policies aimed at avoiding reserve losses and the disadvantages of providing for excessive financing of deficits and surpluses.

One relationship often cited as a guide to reserve needs is the ratio between reserves and world trade. This relationship can hardly be characterized as precise, but trends in it are worth noting. Over the past fifteen years, world trade grew at about 6 percent per year, and reserve growth, as noted, was about 2-1/2 percent -- or, outside the United States, 5-1/2 percent. The ratio of reserves to imports in 1951 was 67 percent; in 1965, it was 43 percent.

Since U. S. reserves were falling during this period, the big decline in the ratio was in the United States, and the rest of the world held its ratio reasonably constant. Experience varied, of course, between nations, but there seems to have been a tendency for the ratio to be regarded as comfortable when it was between 30 and 50 percent.

What will be regarded as comfortable in the future, no one can tell now. Perhaps one should not use the past as a reliable guide. But it would seem unwise to ignore it completely. Certainly, any long down-trend in the ratio of reserves to trade would be a cause for concern.

III.

It may be useful to explore somewhat more deeply the two opposite contentions that the international monetary system is likely to restrain economic growth, or has restrained economic growth, or that it has contributed, or is in danger of contributing, to world inflation. Without wishing to sweep aside both of these allegations or to say that they have no bearing, I would suggest that there may be a tendency to exaggerate and over-dramatize the relationship, particularly in the short-run. I believe that a much stronger case can be made for the importance of an adequate rate of growth in world reserves over a period of years than in terms of a short-run or cyclical impact. Few people have contended in the past that new gold supplies, the principal form of new reserve accretions in earlier days, were an important factor in cyclical or short-term business fluctuations. But they have felt that there was a relationship between these new monetary gold supplies and the general longer-run trend of economic growth.

Generally speaking, we can see a priori how a leveling-off of world reserves could affect economic growth in two ways: it could lead to domestic policies of economic restraint, and it could result in restrictions on trade and capital transactions across international boundaries.

We are all aware that, during the war and postwar period, import and exchange restrictions were widespread, and this coincided with the fact that, in most countries, reserves were insufficient to meet heavy demands for imported goods of all kinds. With the assistance of the Marshall Plan, and of large military disbursements by the United States in Europe, European reserve positions became stronger and trade and payments policies were liberalized.

We are also aware that, in many parts of the world, pressure on reserves has led from time to time to restrictions designed to conserve reserves. But it is not too easy to move from such clear-cut conditions, when reserves are obviously tight in a particular country or countries, to a determination as to whether we need a more or less liberal flow of new reserves for the world as a whole.

To follow this through, let us assume that the present level of world reserves of $70 billion were to become a ceiling and that no enlargement of this total took place over a period of years. We can hardly assume that all national economies would proceed at such a harmonious rate of growth that each country's international transactions would remain perfectly balanced, even if we were to assume that we started with such an ideal condition. Almost certainly, international imbalances would develop and would probably become larger in absolute terms as international trade continued to grow. Under these conditions, whenever any one country was building up its reserves through surpluses in its balance of payments, this would be at the expense of a decline in the reserves of other countries.

Deficit countries would feel the pressure of shrinking reserves and would have to decide whether to restrain domestic growth or to apply restrictions on international transactions, or both. In the meantime, surplus countries could be experiencing some stimulus to their rate of growth which might become converted into inflationary pressures. A surplus is normally expansionary, whether financed in gold or in some other way.

There is a considerable probability that, under modern conditions, many countries might be reluctant to restrain domestic activity and would seek more selective approaches which would be likely to have a direct restrictive impact upon international transactions. If the effect of these measures were to shift a deficit to another country, or countries, these countries, in turn, might follow similar restrictionist policies, with a cumulative tendency in the direction of economic isolationism on the part of deficit countries. Only to the extent that these restrictions came to bear upon the surplus countries would they cease to have this cumulative effect.

Insofar as the deficit countries approached the problem by internal restraint, they might, in the absence of domestic inflationary pressures, and if they had a wide margin of unused resources, bring about a decline in the rate of growth of the world as a whole. This would be particularly true if the deficit countries were relatively large and important in the world's total economy.

On the other hand, surplus countries might face a certain dilemma between their desire to contribute to a restoration of international balance through a reduction of their surpluses and their desire to avoid inflationary pressures. If they undertook to restrain domestic growth, motivated by a natural desire to avoid inflation, the result could be to strengthen their own international position and enlarge their surpluses still further.

Under the conditions that we have postulated, I believe that you can see that it might be in the general interest of all parties to have a certain amount of new reserves flowing into the monetary system. Insofar as new reserves are provided, some countries can add to their reserves without reducing those of other countries. A flow of new reserves could give a certain amount of elasticity to the system and might postpone restrictive measures in the international field or moderate the need for domestic restraint by relieving the strain that would otherwise be placed on the international monetary system.

I would not want, however, to exaggerate the significance of such a cushion of new reserves in terms of its effect on rates of growth or, indeed, on inflationary pressures, even when expansionary forces are tending to place heavy strain on a country's resources. There has been enough experience with reserve shortages and balance of payments deficits in the past ten years to make clear that it is by no means certain that countries with limited reserves do adopt more severe measures of domestic restraint than countries that are gaining reserves but are subject to inflationary pressures. There is considerable evidence that the difference between deficit and surplus countries is more likely to be reflected in selective policies affecting their international trade and capital transactions than in their general domestic economic policies. On the whole, domestic policies seem to have been more largely determined by the broad economic objectives of employment, growth and price stability than by fluctuations in international reserves or balance of payments positions.

This has often meant that surplus countries apply policies of domestic restraint in pursuit of their objective of price stability. And deficit countries, which might, as a result, have to go even further than surplus countries in pushing domestic restraint in order to have a favorable impact on their balance of payments, may be strongly tempted to seek more selective ways of meeting their international problem. For example, when countries with large and growing reserves tighten monetary policy and raise interest rates because they find it difficult to carry out fiscal or other measures to restrain inflationary pressures, this means that deficit countries may be left with a lesser margin for applying differentially more effective monetary policies. The ratcheting of interest rates to higher and higher levels by competitive international action may have some effect in dampening the rate of economic growth in the world as a whole but may contribute little or nothing to a better adjustment of international payments. That is, it may exert more restraint in surplus countries or as much as in deficit countries. Other credit restraints, which are not dependent entirely on general interest rates but have a direct and specific quantitative impact, may, under such conditions, have to be called upon to make an effective contribution to balance of payments improvements -- an example being the selective voluntary credit restraint program in the United States.

In most cases, additional reserves would not, in my view, lead to relaxation of monetary policies, unless the domestic situation, as well as the international position of a country, made this desirable. Fears that new reserves would lead to such relaxation in the short run and thus contribute to inflation are, in my view, exaggerated.

IV.

There are, of course, a number of important questions that have to be resolved in the course of developing a plan for reserve creation through international action. While all members of the Fund participate through the Fund in an international system of medium-term credit arrangements, the purpose and objectives of these credit facilities center on an approach that deals with the monetary problems of particular countries. Insofar as there is an addition to total reserve positions and, hence, an enlargement of world reserves, this is a consequence of dealing with the situation of an individual member, rather than a planned objective.

A smaller number of major countries also have experience, through the General Arrangements to Borrow and through the network of bilateral swap facilities, in the commitment of substantial amounts of financial resources for the purpose of dealing with threats to the strength and stability of the monetary system, providing these funds in forms which can be mobilized and directed to that purpose either through the IMF or through less formal cooperation among the leading central banks.

But it is still a further venture into the field of international cooperation to bring nations together for the express purpose of deliberately creating some form of international monetary asset that will serve to provide a large part of the growth factor in international reserves for along time to come. It is, therefore, not surprising that the main principles in contingency planning are being examined thoroughly and carefully, and from various international points of view, before being put into the foundations and main structural supports of the new reserve asset system.

This evening, I will mention only three of these important structural elements.

The first important characteristic of the reserve asset is that it is a claim on some international trustee or some international organization and is not the obligation of any individual country. The responsibility for the ultimate value and acceptability of this claim is shared in the formal sense by those nations that undertake to do so by a multilateral commitment that is the basis of the plan.

These claims, which may be in the form of reserve units or in the form of reserve positions in the IMF, are held by the nations participating in the arrangement as a fourth element in their reserves. That is, they would supplement gold, reserve currency holdings, and the existing reserve positions in the Fund in making up the global aggregate of world reserves. They are not intended as a replacement for existing reserves but as a fourth component.

It follows from this that countries taking part in the essential compact are naturally concerned with their rights and their responsibilities and obligations with respect to the reserve unit or the reserve drawing right, as the case may be. Decisions must, for example, be taken in advance as to how and on what basis countries will receive their allocations of the asset. There will have to be principles governing their obligations to accept and hold the asset. But the essential requirement is that they be prepared to pay out either their own currency, or an international vehicle currency such as the dollar, whenever another monetary authority or government presents the claim to them.

It might be useful at this point to say a word about the special interest of a reserve currency country in the procedure for making use of the asset. Because of its central position in the monetary system, a reserve currency country may expect to be particularly active in receiving the reserve asset and paying out its own currency in return. It must, therefore, have adequate flexibility, under the written and unwritten principles that will come to apply to the use of the asset, to re-transfer the claim to other countries in exchange for its own currency. If it did not have this flexibility, the new component of international reserves might come to be centered too exclusively in the hands of the reserve currency country.

These are some of the questions that relate to the general aspect of the financial rights and responsibilities associated with the asset. Not all need to be finally settled until the complete structure of a contingency plan is agreed upon. But the general shape and content of these financial rights and obligations does need to be understood and accepted, particularly by the countries which will, in the end, take the heaviest responsibility for accepting and holding the new reserve asset.

This leads to a second important characteristic of deliberate reserve creation. However it is carried out, it is to be expected that a very large share of the total issue will, at all times, be held by a relatively limited number of industrial countries. This is now the case with respect to the existing total of $70 billion of world reserves. $53 billion, or 76 percent of that total, is now held by 14 countries that are classed as industrial countries in the Fund's statistics. Another $6 billion is held by other developed areas, and $11 billion by the less developed areas as a group. The Group of Ten and Switzerland, which have developed most fully the techniques of international cooperation to make the monetary system work better, now hold 72 percent of total reserves.

There is a strong feeling among this group that particular responsibilities with respect to created reserves would fall upon some limited group of major countries in the future, as an extension of the special responsibilities which that group has developed in the past few years. However, there is also the recognition that, from time to time, it may be desirable to expand the existing group of countries whose monetary responsibilities have been generally recognized in the General Arrangements to Borrow and in other ways.

Under any plan, it will be necessary to give reasonable attention to these particular responsibilities of a limited group of countries that will, in practice, hold so large a share of total new reserves created.

At the same time, this, in turn, leads to a third very important aspect of basic planning for the future reserve system. Just as it is important to take account of the interests of the group just mentioned, it is no less essential that the arrangements fully reflect the interests of all members of the International Monetary Fund in the smooth and effective working of the international monetary system and in the rate of growth in world reserves.

Participation in the new system of reserve creation falls under three main headings. The first is the question of a nation's share in the allocation of new reserve assets, or of corresponding resources, at the time when a decision is taken to create and to allocate new reserves. This is, in effect, the _right_ to receive a desirable asset that is associated with the process of reserve creation. The second aspect concerns the _responsibility_ that must be borne by someone for every unit of reserve creation that takes place.

This is the obligation to accept the new reserve asset and to be willing to part either with other international reserves or with one's own currency, whichever is needed by the country tendering the reserve asset. Essentially, it is the responsibility for holding the new reserve asset and is generally referred to as providing the "financing" or the "backing." Finally, the third aspect of participation relates to a share in the periodic decisions that will be taken from time to time to activate the plan and to create a given amount of reserves for a subsequent period of years.

There is no question that the limited group of countries that have joined in special arrangements for international monetary cooperation should share in all three aspects of participation -- the rights, the responsibilities, and the decisions on creation. The questions that are more difficult concern the extent to which other countries in the Fund, and especially the developing countries, will expect, wish, and be able to undertake roles in all three aspects of participation. There is no doubt that they should share in some effective way in the first aspect -- the rights and benefits of new reserve creation. How and in what way they might take part in the responsibilities, and the relationship that their participation in the decisions should take to their assumption of responsibilities, however, can give rise to various opinions, both within the membership of the Fund and within the Group of Ten.

Thus, while we may establish the general principle, previously mentioned, that arrangements must reflect both the interest of the major central group that supports the whole monetary system, and the interest of all members of the International Monetary Fund, the embodiment of this principle in a system of formal procedure is a matter requiring some careful study and negotiations.

V.

I began this talk by reviewing the work that has been done on new reserve asset creation. I close it with a look into the future of work in this field.

A considerable amount of progress has been made since the discussions began in the Group of Ten about three years ago. Work there tended to stimulate work elsewhere, and there is far greater understanding of the problems today than there was in 1963 -- not merely in the Group of Ten, but in other bodies as well.

I believe, for example, that there is now a more clear understanding on the part of the Group than there was a year ago that a plan for reserve creation is likely to be used. That is, we are planning for a contingency that is not unlikely, but is almost certain. In other words, the pertinent question is "when" rather than "if." This is a direct result of the series of intensive and thorough meetings held during the year.

It is also more fully understood that reserve creation is not designed to meet short-run or cyclical problems, but to deal with long-term reserve requirements.

The work has been proceeding for some time on the basis that it is necessary to look at the global reserve needs of the world economy and the whole international community. This requires that plans for reserve creation recognize the interests of all members of the Fund, as well as taking account of the special responsibilities of a limited group of countries for making the system work that I mentioned earlier.

The results of the sessions of the Deputies during the past year will be considered by the Ministers and Governors at the end of July, in the Hague. Until the Ministers have met and appraised these results, we shall not know what decisions will be taken and what material will be authorized for publication. However, in my opinion, there has been substantial progress made in the Group of Ten toward reaching a basis for agreement on fundamental principles. This has been the task of the Deputies -- to establish a foundation upon which a specific structure could be built in a second phase of negotiations and which would be dedicated finally at "an appropriate forum for international discussions" -- which I would think would be a regular or special meeting of the Fund.

We need to proceed to the second stage because the adequacy of international reserves and the development of the basic plan for creating reserves in the future is a matter of concern to all countries in the Fund. The immediate problem before us is to effect a smooth transition into the new stage of our work. While the world does not expect from us a full-blown plan at this stage, it is undoubtedly hopeful that a decision to move the negotiations on to a broader sphere will signalize a substantial degree of progress.

Clearly, there is further work to be done both in the Group of Ten and in the Fund. The rest of the world has not neglected the important subject of international liquidity and reserve creation, and especially useful work has been done within the IMF itself, apart from the participation of its experts in the work of the Group of Ten. But, on the whole, the rest of the world has been prepared to allow the Group of Ten to pursue the subject in the most concentrated way, through intensive international negotiations, during the past year. They now look forward hopefully and expectantly to joining in the assessment of the results of this year's work and the opportunity to make their own constructive contribution.

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TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, JULY 15, 1966

F-543

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 - July 11, 1966

Country of Origin	Established Quota	Imports	Country of Origin	Established Quota	Imports
Egypt and Sudan............	783,816	-	Honduras.....................	752	-
Peru........................	247,952	181,062	Paraguay.....................	871	-
India and Pakistan.........	2,003,483	-	Colombia.....................	124	-
China......................	1,370,791	-	Iraq.........................	195	-
Mexico.....................	8,883,259	1,542,372	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 - July 11, 1966

Staple Length	Allocation	Imports
1-3/8" or more	39,590,778	39,590,778
1-5/32" or more and under 1-3/8" (Tanguis)	1,500,000	265,286
1-1/8" or more and under		

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 July 11, 1966	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1965 to July 11, 1966
United Kingdom............	4,323,457	78,062	1,441,152	78,062
Canada....................	239,690	28,760	-	-
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	11,765	25,443	-
Italy.....................	21,263	-	7,088	-
Other, including the U.S..	-	-	-	-
	5,482,509	118,587	1,599,886	78,062

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
FRIDAY, JULY 15, 1966

F-544

The Bureau of Customs announced today preliminary figures on imports for consumption of the following commodities from the beginning of the respective quota periods through July 2, 1966:

Commodity	Period and Quantity		Unit of Quantity	Imports as of July 2, 1966
Tariff-Rate Quotas:				
Cream, fresh or sour	Calendar year	1,500,000	Gallon	888,186
Whole Milk, fresh or sour ...	Calendar year	3,000,000	Gallon	-
Cattle, 700 lbs. or more each (other than dairy cows) ...	April 1, 1966 - June 30, 1966	120,000	Head	13,845
	July 1, 1966 - Sept. 30, 1966	120,000	Head	314
Cattle, less than 200 lbs. each	12 mos. from April 1, 1966	200,000	Head	83,843
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish	Calendar year	23,591,432	Pound	12,712,270[1]
Tuna Fish	Calendar year	65,662,200	Pound	32,601,804
White or Irish potatoes:				
Certified seed	12 mos. from	114,000,000	Pound	82,025,541
Other	Sept. 15, 1965	45,000,000	Pound	31,430,106
Knives, forks, and spoons with stainless steel handles	Nov. 1, 1965 - Oct. 31, 1966	84,000,000	Pieces	Quota filled
Whiskbrooms	Calendar year	1,380,000	Number	1,283,340[2]
Other brooms	Calendar year	2,460,000	Number	2,278,844[2]

[1] Imports for consumption at the quota rate are limited to 17,693,574 pounds during the first 9 months of the calendar year.

[2] Imports as of July 9, 1966.

Commodity	Period and Quantity		Unit of Quantity	Imports as of July 2, 1966
Absolute Quotas:				
Butter substitutes containing over 45% of butterfat, and butter oil	Calendar year	1,200,000	Pound	Quota filled
Fibers of cotton processed but not spun	12 mos. from Sept. 11, 1965	1,000	Pound	-
Peanuts, shelled or not shelled, blanched, or otherwise prepared or preserved (except peanut butter)	12 mos. from August 1, 1965	1,709,000	Pound	1,184,305[1]

[1] Imports as of July 12, 1966.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE

FRIDAY, JULY 15,1966

F-545

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1966, to July 2, 1966, inclusive, of commodities under quotas established pursuant to the Philippine Trade Agreement Revision Act of 1955:

Commodity	Established Annual Quota Quantity	Unit of Quantity	Imports as of July 2, 1966
Buttons	510,000	Gross	221,948
Cigars	120,000,000	Number	4,834,040
Coconut oil	268,800,000	Pound	Quota filled
Cordage	6,000,000	Pound	4,744,695
Tobacco	3,900,000	Pound	2,162,206

TREASURY DEPARTMENT

WASHINGTON, D.C.

July 15, 1966

FOR IMMEDIATE RELEASE

ANTIDUMPING PROCEEDINGS ON TUBELESS TIRE VALVES

On April 26, 1966, the Commissioner of Customs received information in proper form pursuant to the provisions of section 14.6(b) of the Customs Regulations indicating a possibility that finished tubeless tire valves imported from West Germany and from Italy are being, or likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. The information was submitted by Nylo-Flex Manufacturing Company, Mobile, Alabama.

Having conducted a summary investigation pursuant to section 14.6(d)(1)(i) of the Customs Regulations and having determined on this basis that there are grounds for so doing the Bureau of Customs is instituting an inquiry pursuant to the provisions of section 14.6(d)(1)(ii), (2), and (3) of the Customs Regulations to determine the validity of the information.

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

Imports of the involved merchandise received during the period March 1, 1966, through May 31, 1966, from West Germany were valued at approximately $45,000, while those from Italy during the same period were valued at approximately $17,000.

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TREASURY DEPARTMENT

WASHINGTON. D.C.

OR RELEASE 6:30 P.M.,
onday, July 18, 1966.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced that the tenders for two series of Treasury ills, one series to be an additional issue of the bills dated April 21, 1966, and he other series to be dated July 21, 1966, which were offered on July 13, 1966, ere opened at the Federal Reserve Banks today. Tenders were invited for 1,300,000,000, 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:

ANGE OF ACCEPTED MPETITIVE BIDS:	91-day Treasury bills maturing October 20, 1966		:	182-day Treasury bills maturing January 19, 1967	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	98.743	4.973%	:	97.431	5.082%
Low	98.731	5.020%	:	97.422	5.099%
Average	98.737	4.996% 1/	:	97.424	5.095% 1/

51% of the amount of 91-day bills bid for at the low price was accepted
96% of the amount of 182-day bills bid for at the low price was accepted

TAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 29,085,000	$ 17,085,000	:	$ 20,773,000	$ 3,923,000
New York	1,595,534,000	868,814,000	:	1,813,647,000	647,606,000
Philadelphia	42,725,000	18,295,000	:	28,761,000	8,042,000
Cleveland	32,531,000	26,542,000	:	62,800,000	13,076,000
Richmond	13,502,000	13,452,000	:	4,799,000	4,599,000
Atlanta	57,936,000	34,956,000	:	33,089,000	11,532,000
Chicago	293,608,000	130,491,000	:	341,568,000	158,601,000
St. Louis	55,882,000	42,987,000	:	41,532,000	26,677,000
Minneapolis	17,011,000	11,421,000	:	10,253,000	5,503,000
Kansas City	26,940,000	22,385,000	:	21,144,000	12,342,000
Dallas	22,050,000	17,050,000	:	12,706,000	7,206,000
San Francisco	140,050,000	96,755,000	:	273,562,000	102,257,000
TOTALS	$2,328,354,000	$1,300,233,000 a/		$2,664,634,000	$1,001,364,000 b/

Includes $262,422,000 noncompetitive tenders accepted at the average price of 98.737
Includes $129,653,000 noncompetitive tenders accepted at the average price of 97.424
These rates are on a bank discount basis. The equivalent coupon issue yields are 5.13% for the 91-day bills, and 5.30% for the 182-day bills.

TREASURY DEPARTMENT

WASHINGTON, D.C.

July 18, 1966

FOR IMMEDIATE RELEASE

WITHHOLDING OF APPRAISEMENT ON CERAMIC GLAZED WALL TILE

The Treasury Department is instructing customs field officers to withhold appraisement of ceramic glazed wall tile from Japan pending a determination as to whether this merchandise is being sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. Notice to this effect is being published in the Federal Register.

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

The information alleging that the merchandise under consideration was being sold at less than fair value within the meaning of the Antidumping Act was received in proper form on December 9, 1965. This information was the subject of an "Antidumping Proceeding Notice" which was published pursuant to section 14.6(d), Customs Regulations, in the Federal Register of December 30, 1965, on page 16272 thereof.

TREASURY DEPARTMENT
Washington

FOR RELEASE UPON DELIVERY

REMARKS BY THE HONORABLE JOSEPH W. BARR
UNDER SECRETARY OF THE TREASURY
AT A
CONFERENCE OF INTERNAL REVENUE SERVICE
EXECUTIVE DEVELOPMENT GROUP
IRS TRAINING CENTER
ARLINGTON, VIRGINIA
JULY 19, 1966 AT 3:30 P.M., EDT

I welcome this opportunity to meet and share with you, as participants in our tenth Executive Development Program of the Internal Revenue Service, some views about tax administration and tax policy.

I like the idea of these training seminars for the people we hope will be our future top management staff in the Revenue Service.

The Revenue Service, in my judgement, is doing an excellent job. But we do not achieve excellence by being self-satisfied, by being smug, or by losing sight, at any time and regardless of the provocations involved, of the fact that we are public servants. It's not a bad idea, therefore, to stand off once in a while and appraise our performance, and through such self-appraisal, seek to improve the quality and efficiency of what we are doing. Improving the quality and efficiency of our vast revenue-generating tax system is a part of the Great Society, together with better schools, better roads, better health programs, better education and the other things for which our revenues are spent.

Let's talk about tax administration first. The position of the Treasury is unique. Our ability to collect revenues on which the nation depends to meet our collective aims and aspirations is a measure of public confidence in our system of government and in our national goals.

Quite often as I fly across the United States at night and look down on the lights spread from coast to coast, I marvel at our success in collecting taxes on a voluntary basis from millions of American individuals and businesses. Part of the explanation is the fine record of probity that the Treasury has maintained since 1789. The basic thing, however, is the acceptance, as part of the basic American political creed, that taxation, with representation, is not tyranny, but a way for the nation as a whole to achieve many goals.

If you have not already had the experience of meeting the individual American taxpayer who pays his taxes with an extra bit of personal pride that he is paying for the cost of his government and is proud to do so, I am certain you will. And if you have not met another type of taxpayer, who deliberately sets out to cheat his government, I am certain that in the course of your careers in the Revenue Service, you will also encounter him.

If I may mention classical scholars to you, Plato, in his dialogues, summed it up this way:

> "When there is an income tax, the just man will pay more and the unjust less on the same amount of income."

It is, of course, no tremendous challenge for the tax collector to deal with the man who makes out his tax return with painstaking accuracy, reporting and paying fully, and in a timely fashion, all that is due.

Among our more than 100 million American taxpayers, certainly the vast majority are in this group.

It is a constant challenge to us to serve such taxpayers better, and through both direct dealings with the public and in the field of tax administration generally, to find ways to reduce the cost of government.

I'm inclined to doubt that dealing with the taxpayer who is the complete opposite -- who sets out to cheat both the government and his fellow taxpayers -- is any fundamental challenge. Why? Because the outright cheats, certainly few in number, are up against the considerable disclosure and enforcement powers spelled out in the tax code, the system of computers we are using now in tax administration and, ultimately, public opinion which in our society roundly condemns the tax-cheater.

The fundamental challenge, it seems to me, is to be fair and firm in all of our dealings with the taxpaying public. Every taxpayer is not a "crook," and certainly every tax collector is not a "cop."

For all taxpayers, the Revenue Service has done a great deal to simplify tax returns and instructions, and undoubtedly will continue to search for further improvements along the same line.

The point I am really making here is that I can think of no other part of our government where public relations -- the sense of how to deal with the public -- is more important than in the Revenue Service.

At the same time we are looking outward, seeking constantly to improve our service to the public, we have an equal responsibility to search constantly and diligently within our own system to reduce inefficiencies, to cut out unnecessary paper work, to find better, and more logical ways of doing our jobs. I firmly believe that all our ideas of the field of tax administration do not, and should not, start at the top; and it gives me the most pleasure whenever I hear about ideas coming from the field to win approval.

If we do this -- and do it well -- we will continue to have the best tax system in the world -- a tax system now generating record amounts of revenues.

At this point, I would like to expand a bit on my reference to the record flow of tax collections, currently estimated at approximately $103 billion for the fiscal year just concluded, before moving on to tax policy matters in which the Internal Revenue Service has a unique responsibility.

About 18 months ago, as you may recall, the estimates on administrative budget expenditures and receipts indicated that we expected revenues would total $94.4 billion in the fiscal year just completed. We won't have the detailed figures on actual revenue receipts for fiscal year 1966 until later this month. But it is clear -- and it has been clear for some time -- that a number of factors have contributed to a considerably larger flow of revenues -- nearly $10 billion more than anticipated 18 months ago.

Obviously the most important single factor has been the tremendous expansion of our economy, which has contributed to increased business profits, to an upward surge in personal income, to the reduction in unemployment and to an increase in employment. Then, too, there have been a series of tax policy decisions since the first of the year which have been translated into law -- the graduated income tax withholding system that started on May 1, 1966, the rescheduling of the auto and telephone excise tax reductions voted in the 1965 excise tax reduction act, the speed up in the timetable for the payment of corporation income taxes -- and the administrative action which reduced, for larger employers, the previous time lag between the withholding of income taxes and the payment of these taxes. The administrative efficiencies resulting from increased use of computers by IRS, and probably taxpayer awareness that there is more checking and cross checking through application of computer technology, undoubtedly have been other factors.

We know that the tax receipts have been running heavier, and after we have had more time to analyze tax returns for the year 1965, we will know, with considerably more certainty, whether our present tax levels are adequate to deal with the economic conditions generated by the current levels of public and private expenditures.

Turning now, briefly, to the tax policy bridge between the Internal Revenue Service and the Treasury Department, there certainly is one bridge or to be more accurate -- several.

Let me illustrate what I have in mind in this way: It is from you people in the Revenue Service that we learn, in many instances, what are the problem areas that need attention, simply to make our highly complex tax system more workable and more equitable.

Many disputes, as you know, have risen over the question -- who is to claim the children as dependents when the parents are divorced. Since it is difficult to resolve some of these cases, because some divorced couples won't even talk to each other, the problems that we have had in the Revenue Service may be eased in hundreds of cases by some changes in tax law which the Treasury has drafted, and hopes to see through Congress before too long. The need for such legislation -- as is true in other instances as well -- became evident as a result of actual experience in the field.

Since I understand we might want to have a short question and answer session this morning -- and perhaps I can ask some of the questions with _you_ providing the answers -- let me conclude in this way:

Certainly with a tax system as big, as complicated and as vital as ours, we all have a continuing responsibility and a continuing challenge to do a better job -- to improve our relations with the taxpayers, to develop and put into effect more efficient ways of carrying out our assignments, and to do all the other things that will permit us to be proud that we have the best tax system in the world.

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Statement of Peter D. Sternlight, Deputy Under Secretary
for Monetary Affairs, Department of the Treasury, before
the Subcommittee on Flood Control of the Committee on
Public Works, House of Representatives
Tuesday, July 19, 1966

Mr. Chairman and members of the Committee, on behalf of the Treasury Department, I am happy to have the opportunity to testify on S. 1861, "An act to provide additional assistance for areas suffering a major disaster." Your invitation noted that the Committee is particularly interested in Treasury Department views on Section 3 and 9 of S. 1861, and that the Committee would also be interested in information or material that the Treasury could provide on the Report of the Committee on Federal Credit Programs.

Let me turn first to the Report of that Committee, since certain of its recommendations underlie the points of concern of the Treasury in Sections 3 and 9 of S. 1861. I should mention that I have with me, and would be pleased to file with this Committee, a copy of the Report of the Committee on Federal Credit Programs. A large number of copies of this Report was originally printed and the Report was subsequently reprinted, but the demand has exhausted our supply. Fortunately, the House Banking and Currency Committee included the complete Report in its recent Hearings on S. 2499, so that it is now available in that form.

The Committee on Federal Credit Programs was established by President Kennedy in a memorandum of March 8, 1962, which called upon the Committee to make "a thorough review of the impact of these programs on the economy, their effectiveness for the special purposes for which they were established, and the policies and techniques used in administering them," and "to consider what changes, if any, in Federal credit programs would contribute to achieving the Nation's economic goals." In particular, the Committee was directed to study five specific topics:

(1) The circumstances under which Federal credit programs should be self-supporting and the criteria for and character and extent of subsidy where subsidies are appropriate;

(2) The criteria for determining whether a particular program should take the form of direct Federal lending, loan insurance, loan guarantee, or other form;

(3) The budgetary treatment of Federal credit programs;

(4) The appropriate degree of coordination of Federal credit programs with the general monetary and fiscal policies of the Federal Government, and the use of credit programs for countercyclical purposes; and

(5) The role and effectiveness of statutory and administrative interest rate ceilings in Federal credit programs.

The Committee, therefore, was concerned with the establishment of general policy guidelines for the administration of the wide range of Federal credit programs and in establishing broad principles which would be applicable in the establishment of new programs. In the case of S. 1861, the first, second, and fifth of these five topics are directly pertinent.

The Report was submitted to the President on November 27, 1962, after eight months of study and deliberation by the Treasury Department, the Bureau of the Budget, the Council of Economic Advisers, and the Board of Governors of the Federal Reserve System. It benefitted greatly from the full cooperation of the Federal agencies administering major credit programs and, indeed, could not have been written without their assistance.

President Kennedy transmitted the Report to agency heads on February 11, 1963 with the recommendation that "all departments and agencies administering loans, loan guarantee, and insurance programs (including related grant programs) be guided by the principles outlined in the Report in administering their present programs and especially in proposing any new or expanded credit authority."

Subsequently, in approving the issuance of Budget Bureau Circular No. A-70, dated February 1, 1965, which deals with the procedures to be followed in connection with proposals for new Federal credit program legislation, President Johnson also endorsed the principles established in the Report of the Committee on Federal Credit Programs. Thus, the Report stands as an authoritative statement of Administration views on the standards and principles which should govern various Federal credit programs.

I also have with me a copy of Budget Bureau Circular No. A-70, which I should also be pleased to file with the Committee if it desires.

Turning now to S. 1861, I would like to focus on Sections 3 and 9, as requested in your letter. Subsections (a), (b), and (c) of Section 3 would authorize the REA, HHFA, and VA, respectively, to refinance outstanding loans when such refinancing is necessary because of the loss, destruction, or damage resulting from a major disaster. The Secretary of Agriculture would be authorized to adjust the repayment schedules and extend the maturities of REA loans. The Housing and Home Finance Administrator and the Veterans Administrator would be authorized to refinance loans at a reduced rate of interest not less than 3 percent per annum, extend the maturities, and suspend repayment requirements for a period not to exceed five years.

Subsections (d) and (e) would authorize the Small Business Administration and the Farmers Home Administration to make emergency loans without regard to whether the required financial assistance is available from private sources or, in the case of the Farmers Home Administration, from cooperative or other responsible sources,including other Federal credit programs administered by the Secretary of Agriculture.

Subsection (f) would authorize necessary appropriations.

The Treasury Department certainly recognizes the financial burdens that may be caused by a major disaster. And we are not opposed to adjusting the terms and conditions of outstanding loans where this is clearly called for by the force of circumstances. The Treasury does believe, however, that the interest rate adjustments that would be authorized by subsections (b) and (c) might be made more effectively and more equitably by relating the reduced interest rates to current market yields on outstanding Treasury obligations of comparable maturities than by providing for the reduction to a fixed interest rate such as 3 percent. In this regard, it has been our experience that a statutory ceiling, or floor, becomes the prevailing rate in a Federal credit program with the result that the amount of subsidy provided varies from time to time as market interest rates rise or fall, often with unintended consequences so far as both benefits and program costs are concerned.

In the meantime we hope that the study undertaken by the Secretary of Housing and Urban Development under the Southeast Hurricane Disaster Relief Act of 1965, in which the Treasury Department is cooperating, will lead to the development of more effective coordinated Federal policies and programs covering all disasters. But to repeat, the Treasury would have at this time no objection to the type of relief that would be granted by Section 3.

I might add that the waiver of the requirement regarding the unavailability of the financial assistance from other sources, which would be authorized by subsections (d) and (e), also runs counter to the recommendations of the Committee on Federal Credit Programs. As a matter of principle we believe that unnecessary Federal competition with private lenders should be avoided. For this reason we would favor the elimination of these two subsections.

With regard to Section 9, the Treasury Department is concerned only with the amendment to section 306 of the Consolidated Farmers Home Administration Act of 1961, as amended. A new subsection, which would be added to section 306, would authorize the Secretary of Agriculture to make or insure loans, including loans to public bodies, for the acquisition, construction, improvement or extension of waste disposal systems and other public facilities in rural area when such action is necessitated by a disaster. It would also authorize the Secretary of Agriculture to make construction grants in the event of need up to 50 per centum of the costs of such systems. In the light of the favorable action on PL 89-240, however, the need for this provision is minimal, since the same benefits are already authorized for most areas.

The Committee on Federal Credit Programs recommended that no program in the future be authorized which would involve Federal guarantees of tax-exempt obligations. There are several reasons for this. First, the cost in lost tax revenues to the Federal Government generally exceeds the benefits in reduced borrowing costs obtained by the jurisdiction issuing the tax-exempt obligations; in effect the Federal Government is thereby subsidizing not only the worthy borrower, but also the investor in 100 percent protected tax-exempt issues -- who is likely to be a corporation or an individual in a relatively high tax bracket and in no need of special assistance. Second, such Federally-guaranteed tax-exempt securities would be superior in the market to direct Federal obligations themselves, and command a lower interest rate by virtue of the tax exemption; their increasing volume would tend to affect Treasury financing adversely. Third, the high tax-bracket investors attracted to guaranteed tax exempt issues would serve a more useful economic function if they employed their funds in risk-bearing investments. Accordingly, under the existing programs authorized by the Consolidated Farmers Home Administration Act of 1961, efforts have been made administratively to meet the credit needs of public bodies through direct rather than insured loans.

While the Treasury Department would prefer that guarantees of tax-exempt obligations be expressly prohibited by statute, we would not be opposed to the enactment of S. 1861 because of the present provisions of Section 9. We do strongly urge, however, that the legislative history show that the Congress did not intend that tax-exempt obligations should be guaranteed under this section. I should add that, particularly in this case, such guarantees are unnecessary since the provision authorizing construction grants provides ample flexibility to assist public bodies. This is quite in keeping with the Report of the Committee on Federal Credit Programs, which specifically suggested that capital grants were an acceptable means, not involving the guarantee of tax-exempt securities, for providing financial assistance to public bodies.

TREASURY DEPARTMENT

WASHINGTON, D.C.

July 20, 1966

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 $2,300,000,000,or thereabouts, for cash and in exchange for Treasury bills maturing July 28,1966, in the amount of $2,301,287,000, as follows:

91-day bills (to maturity date) to be issued July 28, 1966, in the amount of $1,300,000,000, or thereabouts, representing an additional amount of bills dated April 28,1966, and to mature October 27,1966, originally issued in the amount of $1,000,395,000,the additional and original bills to be freely interchangeable.

182 -day bills, for $1,000,000,000, or thereabouts, to be dated July 28,1966, and to mature January 26, 1967.

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving time, Monday, July 25, 1966. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for each issue for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on July 28, 1966, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 28, 1966. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 20, 1966

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 July 31, 1966, in the amount of $1,000,247,000, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated July 31, 1966, and will mature July 31, 1967, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving time, Tuesday, July 26, 1966. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. (Notwithstanding the fact that these bills will run for 365 days, the discount rate will be computed on a bank discount basis of 360 days, as is currently the practice on all issues of Treasury bills.) It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on August 1, 1966, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 31, 1966. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 20, 1966

FOR IMMEDIATE RELEASE

The Treasury Department today issued the following statement:

> The British Government has announced new measures designed to carry out Prime Minister Wilson's pledge to maintain the value of the pound.
>
> The actions announced are strong and far-reaching. They go further than any measures taken over the past few years. They strike at the core of the internal inflationary pressures in the U. K. and should effectively promote the objectives of sterling stability and the restoration of balance of payments equilibrium.

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July 21, 1966

FOR IMMEDIATE RELEASE

JOINT STATEMENT OF HENRY H. FOWLER, SECRETARY OF THE TREASURY, AND CHARLES L. SCHULTZE, DIRECTOR OF THE BUREAU OF THE BUDGET, ON BUDGET RESULTS FOR FISCAL YEAR 1966

SUMMARY

Administrative budget results for the fiscal year 1966 show a marked improvement over the estimates of last January. According to the Treasury preliminary monthly statement of receipts and expenditures, actual administrative budget expenditures amounted to $106.9 billion while budget receipts totaled $104.6 billion. The resulting deficit of $2.3 billion amounts to only one-third of the $6.4 billion estimated last January. This is the fifth successive year in which the budget deficit has been lower than previous January estimates. This budgetary result has been bettered only four times in the past sixteen years.

The actual deficit in fiscal year 1964 was $8.2 billion. This was cut to $3.4 billion in fiscal 1965, and still further to $2.3 billion in fiscal 1966. Improved receipts and a continued tight control on expenditures both contributed toward the smaller deficit in fiscal year 1966.

FEDERAL FINANCES, FISCAL YEAR 1966

	Estimate January 1966	Actual	Change from January 1966 Estimate
Administrative Budget:			
Receipts	$100.0	$104.6	$4.6
Expenditures	106.4	106.9	0.5
Consolidated Cash:			
Receipts	128.2	134.4	6.2
Payments	135.0	137.6	2.5
National Income Account:			
Receipts.............	128.8	132.0	3.2
Expenditures.........	131.0	131.0	-
Excess of Receipts (+) or Payments (-)			
Administrative Budget.	-6.4	-2.3	+4.1
Consolidated Cash.....	-6.9	-3.2	+3.7
National Income Account	-2.2	+1.0	+3.2

Revenues, estimated at $100.0 billion last January, were higher by $4.6 billion. With unemployment down and business plant utilization up, the economy is operating near capacity and the Federal revenue system is demonstrating its fiscal responsiveness. Except for a minor decline in excise taxes, revenues from all major tax sources exceeded the January estimates. Most of the greater-than-expected revenues were attributable to higher personal income tax collections. This outcome resulted from rising incomes increased tax yields, and a one-time increase of about $1 billion from the new requirement that larger employers deposit withheld employee taxes semi-monthly rather than monthly. The larger-than-expected revenues from most other tax sources also reflected the expanding pace of economic activity.

Administrative budget expenditures of $106.9 billion were $500 million greater than the January estimate. Defense expenditures were $1.1 billion higher than the budget estimates. Nondefense outlays fell $600 million below the January budget. Last January, expenditures were estimated to be $106.4 billion of which $54.2 billion was budgeted for defense purposes. Actual defense outlays amounted to $55.3 billion with special Vietnam costs totaling $5.8 billion instead of the estimated $4.7 billion. Nondefense expenditures were $51.6 billion, rather than the $52.2 billion estimated in January.

Budget expenditures in both 1965 and 1966 represented about 15 percent of GNP -- the lowest percentage in the past 15 years.

On a consolidated cash basis, which includes the transactions of Federal trust funds, the deficit for 1966 was $3.2 billion, $3.7 billion below the January estimate. Payments to the public were $137.6 billion and receipts amounted to $134.4. Payments were $2.5 billion above the January estimate but receipts were almost $6.2 billion higher than anticipated, again reflecting the advance in individual and business incomes.

On a national income accounts basis, preliminary budget figures point to a surplus of about $1 billion. This is the measure which best indicates the economic impact of Government financial activities. It includes only those transactions affecting current production and incomes (measuring receipts and expenditures on an accrual basis). Preliminary estimates place expenditures at $131 billion and receipts at $132 billion, resulting in a surplus of $1 billion. This compares with a deficit of $2.2 billion estimated on this basis in the January budget document.

COMPARISON OF BUDGET RESULTS WITH JANUARY 1966 ESTIMATE

Revenues

Administrative budget revenues increased by $4.6 billion over the January estimate. $4.0 billion of this increase came from individual income taxes. Of this amount, about $2 billion resulted from increased withholdings -- and about half of increased withholdings are attributable to the new requirement for large employers to deposit withheld taxes semi-monthly rather than monthly. Another $2 billion came from higher than expected final settlements of 1965 liabilities. In addition, corporate profits tax receipts were $400 million higher as corporate profits exceeded earlier expectations.

Expenditures

The $600 million decrease in nondefense expenditures below the January budget estimate is the net balance of a number of increases and decreases.

Sales of financial assets held mainly by the Veterans Administration, Export-Import Bank, Housing and Urban Development, and the Small Business Administration, fell somewhat below earlier expectations -- $2,963 million compared to an expected $3,307 million. This shortfall added to total budget expenditures. Sales of participations were in line with the budget estimate, but sales of individual loans and mortgages were below the January forecast.

By far the largest decrease in budget expenditures was by the Commodity Credit Corporation of the Department of Agriculture. These expenditures were more than $887 million below the January estimate. Expenditures for purchase and storage of farm commodities were lower than anticipated, reflecting higher domestic consumption and larger exports of feed grains and wheat, together with lower-than-expected production of dairy and grain products.

Among the other sizable reductions below the January estimates were $206 million for the Office of Economic Opportunity, primarily because the present level of program activity was not reached as quickly as had been anticipated. Veterans Administration spending was $108 million below estimates because of a decrease in pensions and compensation, only partially offset by a shortfall in sales of direct loans. Expenditures by other independent agencies were down $129 million with the Small Business Administration having the largest decrease ($97 million) resulting from higher direct sales of loans.

These and other substantial savings and decreases in domestic programs were more than offset by the increased costs related to Vietnam over the January estimates. Budget expenditures for the military functions of the Defense Department and foreign military assistance were $1,108 million above the January estimate, reflecting requirements in support of our commitment in Southeast Asia.

Among the other increases over the January estimates were:

-- Department of Housing and Urban Development, $336 million, due to larger-than-anticipated purchases of mortgages.

-- National Aeronautics and Space Agency, $333 million, resulting from overcoming earlier lags in several large development programs.

-- Export-Import Bank, reflecting lower-than-expected sales of loans.

All other changes, both upward and downward combined, amounted to a net decrease of about $100 million.

Consolidated cash statement -- Both cash receipts and expenditures were higher than estimated in January, with a cash deficit of $3.2 billion, in contrast with the January estimate of $6.9 billion. This improvement is the result of a number of major changes, particularly the following: (1) administrative budget receipts were up by $4.6 billion over the estimate, and expenditures up by only $0.5 billion; (2) trust fund receipts rose by $1.3 billion with expenditures up by $1.0 billion over the estimate; (3) two major noncash transactions were significantly different. Seigniorage is counted as an administrative budget receipt but not a cash receipt -- and the deduction for seigniorage is $0.3 billion lower than the estimate; cash expenditures have an addition of $0.8 billion for changes in checks outstanding, whereas the January budget estimated a deduction of $0.1 billion.

The $1.0 billion increase in trust fund expenditures was caused mainly by changes in net expenditures of Government-sponsored enterprises. These enterprises were expected to have net expenditures of $0.5 billion, whereas they actually expended $2.2 billion, mainly for loan activities in the housing market. Partly offsetting this increase was a $0.4 billion decline in deposit funds, $0.1 billion lower military assistance expenditures, and $0.2 billion smaller Department of Labor expenditures, mainly as a result of lower unemployment compensation outlays.

Trust fund receipts were also significantly greater than expected. Among these changes, the greatest were in the Department of Health, Education, and Welfare, where total old-age and survivors, disability, and health insurance receipts were $1.1 billion higher than expected. The unemployment insurance fund receipts were $0.2 billion over the estimate, while military assistance receipts were $0.1 billion lower.

Approximately $0.4 billion of the $1.3 billion increase in trust fund receipts is due to the earlier deposit of withheld taxes, while the remainder was caused by a higher than anticipated level of employment and earnings prevailing in the economy.

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ADMINISTRATIVE BUDGET RECEIPTS AND EXPENDITURES
(Fiscal years. In millions)

		1966		
Description	1965 Actual	January budget	Actual	Change from budget
Receipts by source				
Individual income taxes	$48,792	$51,400	$55,407	+$4,007
Corporation income taxes	25,461	29,700	30,073	+373
Excise taxes	10,911	9,169	9,154	-15
Miscellaneous receipts	4,619	5,791	5,797	+6
All other receipts	4,158	4,587	4,829	+242
Interfund transactions	-870	-647	-629	+18
Net receipts	93,072	100,000	104,631	+4,631
Expenditures by major agency				
Legislative Branch and The Judiciary	239	275	260	-15
Executive Office of the President	24	29	26	-3
Funds Appropriated to the President:				
International financial institutions	320	10	---	-10
Office of Economic Opportunity	211	1,210	1,004	-206
Public works acceleration	322	125	88	-37
Military assistance	1,229	1,275	945	-330
Economic assistance	2,041	2,100	2,131	+31
Other	184	148	109	-39
Agriculture:				
Commodity Credit Corporation	4,398	4,142	3,255	-887
Other	2,900	2,747	2,732	-15
Commerce	758	808	745	-63
Defense:				
Military	46,173	52,925	54,363	+1,438
Civil	1,234	1,314	1,309	-5
Health, Education, and Welfare	5,740	7,662	7,652	-10
Housing and Urban Development	250	436	772	+336
Interior	1,205	1,242	1,325	+83
Justice	358	384	371	-13
Labor	480	522	500	-22
Post Office	805	878	874	-4
State	383	407	401	-6
Treasury:				
Interest on the public debt	11,346	12,000	12,034	+34
Other	1,384	1,429	1,444	+15

Description	1965 Actual	1966 January budget	1966 Actual	1966 Change from budget
Expenditures by major agency-Cont.				
Atomic Energy Commission..........	$2,625	$2,390	$2,404	+$14
Export-Import Bank of Washington..	-357	-532	-385	+147
Federal Aviation Agency...........	795	800	804	+4
General Services Administration...	624	598	607	+9
National Aeronautics and Space Administration..................	5,093	5,600	5,933	+333
Veterans Administration...........	5,488	5,177	5,069	-108
Other independent agencies........	1,065	833	704	-129
District of Columbia..............	61	65	71	+6
Allowances, undistributed.........	---	75	---	-75
Interfund transactions............	-870	-647	-629	+18
Total expenditures...........	96,507	106,428	106,917	+489
Administrative budget surplus (+) or deficit (-)..................	-3,435	-6,428	-2,286	+4,142

FEDERAL RECEIPTS FROM AND PAYMENTS TO THE PUBLIC
(Fiscal years. In millions)

Description	1965 Actual	1966 January budget	1966 Actual	1966 Change from budget
Federal receipts from the public:				
Administrative budget receipts..	93,072	100,000	104,631	+4,631
Trust fund receipts............	31,047	33,539	34,852	+1,313
Deduct intragovernmental and other non-cash transactions......	4,420	5,385	5,100	+285
Total Federal receipts from the public.................	119,699	128,154	134,382	+6,228
Federal payments to the public:				
Administrative budget expenditures...................	96,507	106,428	106,917	+489
Trust fund expenditures.........	29,637	33,786	34,788	+1,002
Deduct intragovernmental and other non-cash transactions......	3,749	5,165	4,114	+1,051
Total Federal payments to the public.................	122,395	135,048	137,592	+2,544
Excess of cash receipts from or payments to (-) the public.......	-2,696	-6,894	-3,210	+3,684

NOTE.--Figures are rounded to nearest million and will not necessarily add to totals.

Preliminary[1] Statement of Receipts and Expenditures of the United States Government

for the period from July 1, 1965 through June 30, 1966

(Cents omitted, therefore details may not add to totals)

TABLE I--SUMMARY (In millions)

Fiscal Year	Administrative Budget Funds			Trust Funds			Public Debt (end of period)[2]	Balance in account of Treasurer (end of period)
	Net receipts	Net expenditures	Surplus (+) or deficit (-)	Net receipts	Net expenditures	Excess of receipts or expenditures(-)		
Estimated 1967[3].........	$111,000	$112,847	-$1,847	$41,608	$37,882	+$3,726	$321,436	$8,700
Estimated 1966[3].........	100,000	106,428	-6,428	33,539	33,786	-247	319,602	8,700
Actual fiscal year 1966... (Twelve months)	104,631	106,917	-2,286	34,852	34,788	+63	319,907	12,407
Actual fiscal year 1965...	93,072	96,507	-3,435	31,047	29,637	+1,410	317,274	12,610
Actual fiscal year 1964...	89,459	97,684	-8,226	30,331	28,885	+1,446	311,713	11,036
Actual fiscal year 1963...	86,376	92,642	-6,266	27,689	26,545	+1,143	305,860	12,116

TABLE II--SUMMARY OF ADMINISTRATIVE BUDGET AND TRUST FUND RECEIPTS AND EXPENDITURES

Classification	Administrative Budget Funds Fiscal Year 1966		Trust Funds Fiscal Year 1966	
	To date	Estimates (net)[3]	To date	Estimates (net)[3]
RECEIPTS				
Internal Revenue	$128,842,531,268	$122,772,000,000	....	....
Transfers to trust funds.................	-24,292,271,220	-23,046,000,000	$24,292,271,220	$23,046,000,000
Reimbursement from trust funds for refunds of taxes	353,447,123	367,000,000	-353,447,123	-367,000,000
Refunds of receipts	-7,207,456,415	-6,892,000,000	....	....
Subtotal--Net Internal Revenue......	97,696,250,756	93,201,000,000	23,938,824,096	22,679,000,000
Customs.................................	1,811,170,211	1,690,000,000	....	....
Refunds of receipts	-44,627,265	-35,000,000	....	....
All other	5,797,337,555	5,794,360,000	11,682,704,904	11,655,123,000
Refunds of receipts....................	-285,306	-3,000,000	....	....
Interfund transactions....................	-628,746,933	-647,360,000	-769,843,707	-794,963,000
Net receipts	104,631,099,018	100,000,000,000	34,851,685,292	33,539,160,000
EXPENDITURES				
Legislative Branch	180,604,414	191,210,000	1,913,558	1,835,000
The Judiciary	79,162,395	82,056,000	493,914	520,000
Executive Office of the President..........	26,209,012	28,606,000	....	....
Funds appropriated to the President:				
Military assistance	945,202,525	1,275,000,000	750,247,693	866,753,000
Economic assistance.....................	2,131,158,763	2,100,000,000	2,295,056	1,907,000
Other	1,201,283,784	1,492,537,000	388,145	401,000
Agriculture Department.....................	5,986,354,366	6,888,648,000	55,211,770	57,672,000
Commerce Department......................	745,403,861	808,059,000	3,986,019,177	4,007,621,000
Defense Department:				
Military	54,362,760,317	52,925,000,000	7,149,774	6,150,000
Civil	1,309,156,328	1,314,136,000	30,064,714	35,425,000
Health, Education, and Welfare Department.	7,652,449,993	7,662,447,000	20,769,494,633	20,840,881,000
Housing and Urban Development Department.	771,938,625	436,108,000	1,475,553,482	1,399,500,000
Interior Department	1,324,824,931	1,242,357,000	96,767,648	88,822,000
Justice Department	370,669,573	383,954,000	152,752,572	155,347,000
Labor Department	4 499,589,055	522,018,000	2,687,864,318	2,890,646,000
Post Office Department	874,158,768	878,039,000	....	....
State Department	401,462,063	407,293,000	9,742,382	9,590,000
Treasury Department:				
Interest on the public debt	12,033,613,506	12,000,000,000	....	....
Other	1,443,624,853	1,429,435,000	26,670,394	27,658,000
Atomic Energy Commission	2,403,925,346	2,390,000,000	1,039,092	1,752,000
Federal Aviation Agency	803,982,322	800,000,000	....	....
General Services Administration............	606,551,755	599,713,000	107,876	285,000
National Aeronautics and Space Adm.........	5,932,630,931	5,600,000,000	498,457	495,000
Veterans Administration	5,069,350,498	5,177,473,000	561,883,545	546,810,000
Other independent agencies.................	318,622,207	301,397,000	2,922,576,411	2,868,882,000
District of Columbia......................	71,453,600	64,829,000	428,498,223	445,573,000
Deposit funds	....	....	-595,451,208	-166,443,000
Government-sponsored enterprises.........	....	....	2,186,363,300	492,714,000
Allowances, undistributed.................	....	75,000,000	....	....
Interfund transactions....................	-628,746,933	-647,360,000	-769,843,707	-794,963,000
Net expenditures	106,917,396,868	106,427,955,000	34,788,301,229	33,785,833,000
Administrative budget surplus or deficit (-) .	-2,286,297,850	-6,427,955,000		
Excess of trust receipts or expenditures (-).			+63,384,063	-246,673,000

See footnotes on page 11

TABLE III--ADMINISTRATIVE BUDGET RECEIPTS AND EXPENDITURES--JUNE 30, 1966

Classification RECEIPTS	This month	Corresponding month last year	Fiscal Year 1966 to date	Corresponding period fiscal year 1965
Internal Revenue:				
Individual income taxes:				
Withheld[5]	$4,683,343,089	$2,955,747,584	$42,768,864,992	$36,840,394,431
Other	2,569,051,716	2,368,674,236	18,486,257,590	16,820,288,222
Total individual income taxes	7,252,394,805	5,324,421,820	61,255,122,583	53,660,682,653
Corporation income taxes	8,251,760,505	6,596,793,740	30,834,611,983	26,131,333,625
Excise taxes	1,158,031,494	1,356,980,739	13,407,469,538	14,792,778,809
Employment taxes:				
Federal Insurance Contributions Act and Self-Employment Contributions Act[5]	2,653,000,000	1,347,623,185	19,005,488,017	15,846,072,594
Railroad Retirement Tax Act	63,254,981	56,607,287	683,347,111	635,734,352
Federal Unemployment Tax Act	2,248,602	1,654,261	567,032,786	622,499,187
Total employment taxes	2,718,503,583	1,405,884,734	20,255,867,915	17,104,306,134
Estate and gift taxes	223,905,030	218,462,989	3,089,459,246	2,745,532,499
Total internal revenue	19,604,595,419	14,902,544,024	128,842,531,268	114,434,633,720
Customs	171,976,450	144,968,000	1,811,170,211	1,477,548,820
Miscellaneous receipts:				
Interest	94,363,195	105,782,950	823,514,848	1,077,419,261
Dividends and other earnings	134,164,029	152,454,485	1,731,401,105	1,392,918,416
Realization upon loans and investments	-11,440,721	-9,156,963	346,670,818	496,249,056
Recoveries and refunds	14,539,850	16,987,514	140,503,998	131,852,057
Royalties	78,105,651	68,156,267	152,341,292	132,058,669
Sales of Government property and products	306,661,522	78,187,127	1,447,387,605	858,760,440
Seigniorage	143,746,291	13,679,468	649,304,366	116,996,658
Other	175,067,696	51,134,445	506,213,519	416,097,381
Total miscellaneous receipts	935,207,516	477,225,295	5,797,337,555	4,622,351,942
Subtotal gross receipts	20,711,779,386	15,524,737,320	136,451,039,034	120,534,534,483
Deduct:				
Refunds of receipts:[6]				
Internal revenue:				
Applicable to budget accounts:				
Individual income taxes	444,776,191	262,338,631	5,848,101,552	4,869,010,781
Corporation income taxes	61,494,777	48,181,004	761,208,276	670,388,675
Excise taxes	22,535,765	7,906,069	216,931,560	99,423,243
Estate and gift taxes	3,532,193	1,664,310	27,596,525	29,368,794
Applicable to trust accounts:				
Federal old-age and survivors ins. trust fund	....	....	212,079,375	178,625,500
Federal disability insurance trust fund	....	....	15,595,625	13,064,500
Federal hospital insurance trust fund	....	....	....	....
Highway trust fund	....	....	119,771,762	123,498,341
Railroad retirement account	3,323	104,845	171,377	188,905
Unemployment trust fund	907,650	629,462	6,000,360	7,608,577
Subtotal internal revenue refunds	533,249,902	320,824,323	7,207,456,415	5,991,177,319
Customs	2,432,204	2,968,625	44,627,265	35,205,161
Other	2,296	24,132	285,306	3,161,988
Total refunds of receipts	535,684,402	323,817,080	7,252,368,986	6,029,544,468
Transfers to trust accounts:				
Federal old-age and survivors insurance trust fund[5]	2,217,000,000	1,249,731,325	16,473,515,656	14,572,359,320
Federal disability insurance trust fund[5]	216,000,000	97,891,859	1,442,297,361	1,082,023,273
Federal hospital insurance trust fund[5]	220,000,000	....	862,000,000	....
Highway trust fund	361,100,000	346,668,156	3,916,802,919	3,658,509,170
Railroad retirement account	63,251,658	56,502,442	683,175,734	635,545,447
Unemployment trust fund	1,340,951	1,024,798	561,032,425	614,890,609
Total transfers to trust accounts	3,078,692,609	1,751,818,583	23,938,824,096	20,563,327,821
Interfund transactions:				
Interest on loans to Government-owned enterprises	39,318,954	41,678,974	611,392,224	852,289,468
Reimbursements	3,577,612	3,316,676	16,936,973	17,155,170
Fees and other charges	7,084	38,662	417,734	420,662
Total interfund transactions	42,903,651	45,034,312	628,746,933	869,865,300
Total deductions	3,657,280,663	2,120,669,976	31,819,940,016	27,462,737,591
Net administrative budget receipts	17,054,498,723	13,404,067,343	104,631,099,018	93,071,796,891

See footnotes on page 11

TABLE III--ADMINISTRATIVE BUDGET RECEIPTS AND EXPENDITURES--JUNE 30, 1966--Continued 3

Classification EXPENDITURES	This month	Corresponding month last year	Fiscal Year 1966 to date	Corresponding period fiscal year 1965
Legislative Branch:				
Senate	$3,014,606	$2,993,935	$35,387,962	$33,260,715
House of Representatives	5,739,260	5,374,046	63,399,855	58,211,932
Joint items for Senate and House[7]	108,703	94,020	8,333,837	6,414,431
Architect of the Capitol	1,912,920	2,118,079	26,158,381	25,459,105
Botanic Garden	34,796	44,629	497,378	532,069
Library of Congress	2,545,493	2,577,980	25,164,578	23,847,810
Government Printing Office:				
General fund appropriations	2,528,113	2,970,310	26,488,468	23,842,096
Revolving fund (net)	-2,573,696	-191,802	-4,826,048	-6,387,847
Total--Legislative Branch	13,310,198	15,981,198	180,604,414	165,180,314
The Judiciary:				
Supreme Court of the United States	200,507	215,173	2,498,108	2,491,391
Court of Customs and Patent Appeals	34,308	44,535	419,019	414,274
Customs Court	91,194	91,967	1,120,765	1,053,219
Court of Claims	100,983	97,528	1,319,667	1,243,855
Courts of appeals, district courts, and other judicial services	6,318,839	5,671,911	73,804,833	68,852,935
Total--The Judiciary	6,745,833	6,121,116	79,162,395	74,055,677
Executive Office of the President:				
Compensation of the President	12,500	12,500	150,000	150,000
The White House Office	338,109	320,373	2,817,723	2,871,715
Special projects	81,369	111,418	817,754	1,090,481
Executive mansion	51,618	28,803	686,723	686,314
Bureau of the Budget	654,188	594,220	7,626,996	7,089,463
Council of Economic Advisers	74,919	51,666	738,168	654,904
National Aeronautics and Space Council	29,426	41,128	489,038	458,672
National Security Council	46,292	39,492	613,263	608,402
Office of Emergency Planning	690,548	597,291	11,061,940	9,066,367
Office of Science and Technology	124,407	104,407	948,003	930,255
Special representative for trade negotiations	100,079	109,048	536,547	562,242
Miscellaneous	148,619	26,126	-277,147	-151,269
Total--Executive Office of the President	2,352,080	2,036,479	26,209,012	24,017,549
Funds appropriated to the President:				
Alaska programs	1,136,366	37,458	5,433,400	522,118
Disaster relief	59,051,092	5,749,348	132,316,791	43,460,637
Emergency fund for the President	1,095	483	48,300	939,790
Expansion of defense production (net)	-38,015,719	13,875,994	-149,806,417	59,552,976
Expenses of management improvement	4,026	29,240	377,837	334,957
International Financial Institutions:				
Subscription to Asian Development Bank	....	....	....	....
Investment in Inter-American Development Bank	....	....	....	....
Subscription to the International Development Assn.	....	....	....	61,655,825
Increase in quota in the International Monetary Fund	....	258,750,004	....	258,750,004
Office of Economic Opportunity:				
Economic Opportunity Program	211,483,538	103,906,235	974,607,972	194,076,209
Public enterprise funds (net)	2,887,010	4,501,526	29,678,502	17,157,683
Peace Corps	11,395,714	9,430,999	92,677,330	78,572,765
Public works acceleration	4,717,332	11,336,013	88,168,271	321,625,278
Southeast hurricane disaster	4,010,691	....	27,563,158	....
Miscellaneous	4,816	37,736	218,636	635,954
Military assistance:				
Office of Secretary of Defense:				
Repayment of credit sales	....	-3,797,291	....	-41,069,390
Other	2,861,239	856,537	73,319,682	52,809,746
Department of the Army	110,208,567	206,623,593	488,627,369	581,036,969
Department of the Navy	39,955,489	66,646,343	192,037,942	196,234,601
Department of the Air Force	38,000,038	111,635,729	280,145,343	434,870,922
Agency for International Development	-10	-12,864	64,924	1,538,391
All other agencies	1,565,926	174,815	945,637	3,158,080
Foreign military sales fund (net) [8]	-35,524,618	....	-89,938,373	....
Total--Military assistance	157,066,632	382,126,863	945,202,525	1,228,579,319
Economic assistance:				
Technical cooperation and development grants:				
General	28,751,672	24,526,127	222,489,070	226,986,902
Alliance for Progress	12,249,506	7,814,043	101,061,937	97,702,780
Social progress fund, Inter-American Dev. Bank	9,935,000	11,192,000	63,865,000	67,016,000
Supporting assistance	42,206,606	35,946,436	499,342,953	387,250,791
International organizations and programs	8,533,029	9,629,776	84,593,927	99,711,388
Contingencies	10,831,737	14,966,115	133,499,997	150,807,063
Other	8,550,543	6,013,301	70,524,869	63,417,878
Public enterprise funds (net):				
Alliance for progress, development loans	34,526,429	18,839,862	288,639,423	201,818,146
Development loan funds	43,014,170	94,930,233	676,966,227	754,467,500
Foreign investment guarantee fund	-371,563	-1,023,380	-9,824,642	-7,778,494
Total--Economic assistance	198,227,132	222,834,514	2,131,158,763	2,041,399,957
Total--Funds appropriated to the President	611,969,729	1,012,616,419	4,277,645,073	4,307,263,477

See footnotes on page 11.

TABLE III--ADMINISTRATIVE BUDGET RECEIPTS AND EXPENDITURES JUNE 30, 1966--Continued

Classification EXPENDITURES--Continued	This month	Corresponding month last year	Fiscal Year 1966 to date	Corresponding period fiscal year 1965
Agriculture Department:				
Agricultural Research Service:				
Intragovernmental funds (net)	-[8]306,704	-343,379	-[8]162,515	-966,554
Other	17,084,079	24,507,497	201,848,699	209,932,760
Cooperative State Research Service	143,106	234,957	52,364,735	46,866,935
Extension Service	1,494,926	1,187,388	89,610,834	84,731,963
Farmer Cooperative Service	95,388	124,419	1,140,857	1,119,156
Soil Conservation Service:				
Conservation operations	9,230,070	11,677,892	110,823,472	105,471,077
Flood prevention, watershed protection and other	9,133,309	10,224,103	102,116,004	91,324,385
Great Plains conservation program	1,622,901	1,437,207	13,588,830	12,492,609
Economic Research Service	813,961	1,055,391	11,040,440	10,138,218
Statistical Reporting Service	1,334,296	1,824,234	14,002,950	11,586,574
Consumer and Marketing Service:				
Consumer protective, marketing and regulatory programs	6,064,623	3,535,892	76,974,680	39,991,091
Payments to States and possessions	17,480	33,261	1,750,000	1,500,000
Special milk program	7,668,773	12,291,944	96,999,126	86,608,778
School lunch program	11,296,696	16,992,862	196,658,167	178,579,705
Food stamp program	8,091,490	4,423,430	68,941,041	34,395,404
Removal of surplus agricultural commodities	-2,015,253	4,222,657	117,742,077	272,931,735
Intragovernmental funds (net)	....	....	2,506	102,837
Other	68,455	89,886	827,956	847,163
Total--Consumer and Marketing Service	31,192,267	41,589,936	559,895,555	614,956,717
Foreign Agricultural Service	2,076,880	2,321,662	19,929,930	18,482,172
International Agricultural Development Service	505,880	....	51,506	....
Commodity Exchange Authority	92,969	134,421	1,191,642	1,143,575
Agricultural Stabilization and Conservation Service:				
Expenses[9]	11,438,960	-1,643,816	126,765,206	107,886,328
Sugar act program	2,691,956	4,514,542	82,403,423	92,108,282
Agricultural conservation program	12,998,079	21,648,952	195,579,649	216,138,745
Appalachian region conservation program	89,001	....	518,213	215,000
Cropland conversion program	19,051	1,178,302	1,869,407	9,666,698
Cropland adjustment program	609,980	....	4,288,087	....
Emergency conservation measures	723,918	1,097,328	12,663,354	10,007,536
Soil bank program	9,267	13,410	150,961,444	193,698,370
Indemnity payments to dairy farmers	6,956	2,995	214,458	260,937
Total--Agricultural Stab. and Conservation Service	28,587,171	26,811,715	575,263,245	629,961,897
Commodity Credit Corporation:				
Public enterprise funds (net):				
Price support and related programs[10]	-126,842,343	-193,631,503	1,856,079,888	2,645,754,391
Special activities[11]	-312,579	-607,645,423	-89,839,471	-740,267,508
Foreign assistance and special export programs	129,205,333	875,426,338	1,488,448,291	2,492,151,009
Total--Commodity Credit Corporation and foreign assistance and special export programs	2,050,410	74,149,411	3,254,688,708	4,397,637,893
Federal Crop Insurance Corporation:				
Administrative expenses	510,071	375,438	8,321,961	7,517,736
Federal Crop Insurance Corporation fund (net)	1,063,956	1,050,294	10,397,883	903,258
Rural Electrification Administration:				
Loans	29,905,753	59,914,800	360,981,634	380,581,744
Salaries and expenses	953,540	1,334,267	11,878,399	11,831,916
Farmers Home Administration:				
Rural housing grants and loans	....	12,787,527	9,252,063	134,655,793
Community development programs	93,110	15,255	1,162,422	945,848
Salaries and expenses	3,580,326	3,322,297	48,435,235	41,332,743
Public enterprise funds (net):				
Direct loan account	-3,559,435	-324,913	-26,287,852	67,971,406
Rural housing insurance fund	-25,990,700	....	31,671,425	....
Emergency credit revolving fund	144,202	1,007,485	19,411,639	30,256,626
Agricultural credit insurance fund	-58,994,336	3,192,558	88,112,914	9,000,489
Rural housing direct loan account	7,797,420	20,000	4,528,329	1,008,170
Total--Farmers Home Administration	-76,929,413	20,020,212	176,286,178	285,171,077
Rural Community Development Service	251,800	203,848	708,052	273,687
Office of the Inspector General	926,286	1,121,121	10,227,782	9,703,456
Office of General Counsel	327,220	450,526	4,090,569	3,965,373
Office of Information	101,069	184,011	1,677,224	1,697,984
National Agricultural Library	131,338	186,873	1,751,040	1,627,266
Office of Management Services	244,710	318,241	2,474,153	2,400,706
General administration:				
Intragovernmental funds (net)	91,462	166,466	120,318	41,421
Salaries and expenses	298,495	432,413	3,626,484	3,486,660
National Advisory Commission on Food and Fiber	....	....	....	....
Forest Service:				
Intragovernmental funds (net)	-468,508	-726,293	-1,716,170	-1,670,567
Other	29,853,275	34,164,180	388,133,957	354,720,948
Total--Agriculture Department	92,411,957	316,433,259	5,986,354,366	7,298,052,029

See footnotes on page 11

Classification EXPENDITURES--Continued	This month	Corresponding month last year	Fiscal Year 1966 to date	Corresponding period fiscal year 1965
Commerce Department:				
General Administration:				
Public enterprise funds (net)	-$4,498	$322	$5,979	-$7,050
Other	-63,771	441,944	5,301,124	6,655,197
Economic Development:				
Appalachian Assistance	2,477,140	158	13,054,021	158
Economic Development Administration:				
Economic development revolving fund (net)	-826,721	-674,696	-7,988,528	-4,593,708
Other	4,509,117	6,575,712	66,801,210	80,595,694
Regional Planning Assistance[12]	730,994	....	730,994	....
Community Relations Service	10,886	89,602	1,252,340	492,884
U.S. Travel Service	187,873	520,399	3,097,218	2,432,301
Office of Business Economics	94,315	193,776	2,651,514	2,312,334
Bureau of the Census	2,663,503	3,029,579	25,662,581	37,796,896
Business and Defense Services Administration	326,175	512,283	5,175,410	4,829,631
International Activities	858,758	1,231,221	15,171,701	14,257,165
Office of Field Services	334,225	333,436	4,183,549	4,110,086
Total--Economic Development	11,366,268	11,811,474	129,792,014	142,233,445
Science and technology:				
Environmental Science Services Administration	12,045,780	19,803,619	151,711,819	134,343,026
Patent Office	2,578,101	2,504,958	33,830,038	30,651,732
National Bureau of Standards:				
Intragovernmental funds (net)	-1,419,064	1,521,160	-5,496,790	7,621,675
Other	2,952,930	1,763,982	60,450,802	56,768,251
Office of State Technical Services[13]	1,460,739	....	1,460,739	....
Total--Science and technology	17,618,486	25,593,720	241,956,609	229,384,686
Transportation:				
Maritime Administration:				
Public enterprise funds (net)	-7,641,491	-406,199	6,650,180	-2,365,099
Operating-differential subsidies	29,733,251	24,426,596	186,628,357	213,334,409
Other	13,928,550	10,868,726	110,742,267	125,758,854
Bureau of Public Roads:				
Advances to the highway trust fund (net)	....	....	....	....
Other	8,119,484	4,054,564	59,180,397	42,307,135
Transportation research and development	2,133,358	167,096	5,146,929	1,095,870
Total--Transportation	46,273,153	39,110,784	368,348,132	380,131,170
Total--Commerce Department	75,189,638	76,958,246	745,403,861	758,397,448
Defense Department:				
Military:				
Military personnel:				
Department of the Army	771,353,531	520,295,557	5,561,812,878	4,696,875,302
Department of the Navy	463,899,280	384,779,891	4,612,948,023	4,020,656,811
Department of the Air Force	457,687,311	400,368,915	5,016,492,865	4,669,091,684
Defense agencies	139,013,399	120,378,115	1,591,144,965	1,384,286,070
Total--Military personnel	1,831,953,522	1,425,822,480	16,782,398,733	14,770,909,869
Operation and maintenance:				
Department of the Army	547,215,960	468,012,138	4,679,855,806	3,681,146,394
Department of the Navy	435,995,887	360,658,993	4,032,358,967	3,369,993,853
Department of the Air Force	637,405,961	595,795,015	5,157,038,885	4,771,019,314
Defense agencies	70,004,530	49,432,247	722,622,692	526,558,442
Total--Operation and maintenance	1,690,622,339	1,473,898,394	14,591,876,352	12,348,718,004
Procurement:				
Department of the Army	321,881,296	73,799,337	2,662,493,902	1,764,064,638
Department of the Navy	569,903,607	198,100,114	5,235,151,218	4,932,522,645
Department of the Air Force	768,318,701	322,391,328	6,413,876,885	5,100,535,962
Defense agencies	-925,668	6,210,536	16,950,788	42,215,776
Total--Procurement	1,659,177,936	600,501,317	14,328,472,795	11,839,339,022
Research, development, test and evaluation:				
Department of the Army	148,415,643	119,186,554	1,399,427,227	1,344,396,176
Department of the Navy	119,700,217	54,370,701	1,406,253,354	1,293,639,072
Department of the Air Force	246,658,881	317,041,675	2,947,900,702	3,145,755,892
Defense agencies	65,808,434	43,730,552	491,024,744	452,425,195
Total--Research, development, test and evaluation	580,583,176	534,329,483	6,244,606,029	6,236,216,337
Military construction:				
Department of the Army	120,299,678	36,462,140	329,485,084	216,272,248
Department of the Navy	-71,770,947	37,766,640	436,992,868	251,900,330
Department of the Air Force	61,039,451	50,265,306	511,889,671	507,065,691
Defense agencies	1,577,339	2,416,558	22,741,018	31,669,411
Total--Military construction	111,145,521	126,910,644	1,301,108,643	1,006,907,683

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TABLE III--ADMINISTRATIVE BUDGET RECEIPTS AND EXPENDITURES--JUNE 30, 1966--Continued

Classification EXPENDITURES--Continued	This month	Corresponding month last year	Fiscal Year 1966 to date	Corresponding period fiscal year 1965
Defense Department--Continued				
Military--Continued				
Family housing:				
Department of the Army	$21,040,480	$18,955,081	$201,919,853	$206,537,633
Department of the Navy	15,275,475	18,366,806	178,840,223	154,591,642
Department of the Air Force	21,264,552	24,432,918	262,171,538	255,106,276
Defense agencies	999,449	-793	3,179,699	2,417,909
Total--Family housing	58,579,958	61,754,013	646,111,314	618,653,461
Civil Defense	9,000,781	-4,012,547	86,064,202	92,725,785
Revolving and management funds (net):				
Public enterprise funds:				
Defense production guarantees:				
Department of the Army	-635	-2,504	-1,667,569	-36,545
Department of the Navy	138,753	274,515	-542,780	-1,236,397
Department of the Air Force	355,619	-969,872	2,377,061	-1,210,977
Defense agencies	....	....	....	389
Other:				
Department of the Navy	-15,903	852	-55,138	-13,623
Civil defense procurement funds	-1,345	-2,738	-346	-7,520
Intragovernmental funds:				
Department of the Army	296,696,614	102,375,222	179,601,191	-102,360,041
Department of the Navy	33,691,628	341,950,985	235,274,787	-468,588,529
Department of the Air Force	72,448,205	57,436,138	46,939,879	23,752,565
Defense agencies	73,512,436	-21,110,293	-79,804,838	-190,900,154
Undistributed stock fund transactions	-519,326,049	-377,463,311	....	....
Total--Revolving and management funds	-42,500,676	102,488,992	382,122,246	-740,600,836
Total--Military	5,898,562,560	4,321,692,780	54,362,760,317	46,172,869,328
Civil:				
Department of the Army:				
Corps of Engineers:				
Rivers and harbors and flood control	55,056,723	125,329,230	1,246,660,363	1,177,364,189
Intragovernmental funds (net)	1,366,795	2,315,546	3,791,083	-8,391,735
The Panama Canal:				
Canal Zone Government	4,688,589	3,855,991	36,564,939	32,985,906
Panama Canal Company:				
Public enterprise funds (net)	2,442,584	3,231,770	-4,310,038	3,099,660
Thatcher Ferry Bridge	....	132,881	-1,350	326,912
Total--The Panama Canal	7,131,174	7,220,643	32,253,550	36,412,479
Other	2,635,298	2,377,086	26,413,668	28,337,684
Navy--Wildlife conservation, etc	34	-1,666	-1,871	3,047
Air Force--Wildlife conservation, etc	1,658	4,763	39,533	33,595
Total--Civil	66,191,684	137,245,604	1,309,156,328	1,233,759,263
Total--Defense Department	5,964,754,244	4,458,938,384	55,671,916,645	47,406,628,591
Health, Education, and Welfare Department:				
Food and Drug Administration:				
Public enterprise fund (net)	-64,198	2,108	-238,755	-199,094
Other	3,972,926	4,629,727	45,446,504	40,847,801
Office of Education:				
Student loan insurance fund (net)	....	....	....	....
Assistance for vocational education [14]	19,284,807	31,738,949	131,560,680	131,524,980
Aid to federally impacted areas [15]	22,887,271	31,067,592	409,598,513	349,671,015
Elementary and secondary educational activities [14]	123,861,682	....	828,356,826	....
Higher educational activities [14]	4,588,010	....	35,451,334	....
Higher educational facilities construction [16]	12,553,598	2,414,517	105,854,801	3,588,097
Defense educational activities	34,671,644	45,809,748	341,797,914	270,283,613
Other	9,951,415	10,611,111	115,590,037	86,807,452
Total--Office of Education	227,798,430	121,641,920	1,968,210,108	841,875,159
Vocational Rehabilitation Administration:				
Grants for rehabilitation services and facilities	32,875,267	8,847,427	152,521,229	95,660,555
Other	-11,348,178	-3,714,264	49,344,356	41,652,738
Public Health Service:				
Community health:				
Hospital construction activities	12,163,916	19,914,279	201,748,568	203,517,847
Other	764,160	12,900,212	197,749,084	159,172,998
Environmental health	2,107,462	4,263,414	62,612,552	52,138,481
Medical services	11,945,384	14,052,556	139,817,712	132,773,179
National Institutes of Health	13,540,509	43,384,150	888,942,423	779,786,670
Operation of commissaries, narcotic hospitals (net)	-4,408	-1,865	13,243	6,914
Emergency health activities	581,362	750,099	15,080,586	12,630,963
Other	21,862,329	9,315,020	34,656,466	12,211,198
Total--Public Health Service	62,960,716	104,577,867	1,540,620,637	1,352,238,254

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Classification EXPENDITURES--Continued	This month	Corresponding month last year	Fiscal Year 1966 to date	Corresponding period fiscal year 1965
Health, Education, and Welfare Department--Continued				
Federal Water Pollution Control Administration [17]	$8,004,065	$8,290,831	$116,495,869	$100,824,416
Saint Elizabeths Hospital	769,118	1,594,344	11,213,584	9,959,290
Social Security Administration:				
Operating fund, Bureau of Federal Credit Unions (net)	4,085	151,236	-43,644	-175,398
Payment to trust funds for health insurance for the aged	....	....	....	....
Payment for military service credits	....	....	....	....
Other	1,106	2,048	-8,454	77,840
Welfare Administration:				
Grants to States for public assistance	280,518,194	276,525,766	3,527,534,259	3,059,498,069
Grants for maternal and child welfare	16,199,553	5,545,492	151,382,198	109,796,010
Other	672,146	2,634,046	50,477,409	54,769,756
Administration on Aging [18]	212,380	70,984	2,191,169	572,013
Special institutions:				
American Printing House for the Blind	100,000	....	992,196	865,000
National Technical Institute for the Deaf [19]	6,140	....	54,711	....
Freedmen's Hospital	198,661	305,835	4,359,137	3,928,681
Gallaudet College	305,749	663,505	3,619,163	4,355,442
Howard University	1,123,158	1,324,771	11,937,041	11,617,867
General Administration and other:				
Intragovernmental funds (net)	-86,768	-228,183	772,223	-336,968
Other	1,739,611	1,818,680	15,569,047	12,333,553
Total--Health, Education, and Welfare Department	625,962,169	534,684,147	7,652,449,993	5,740,160,990
Housing and Urban Development Department:				
Office of the Secretary:				
Public enterprise funds (net):				
College housing loans	74,076,978	14,073,082	312,359,081	220,743,636
Liquidating programs	-76,188	-96,870	-3,891,108	-985,142
Urban renewal programs	10,700,291	46,096,496	356,720,280	324,351,500
Rehabilitation loan fund	154,722	180,000	1,830,184	180,000
Urban mass transportation fund	3,516,790	749,535	18,659,766	11,068,235
Other	8,744,787	8,333,027	87,876,492	87,507,504
Open space land and urban beautification	1,307,970	247,954	8,387,163	6,211,704
Other	3,562,245	2,056,567	26,077,664	34,485,500
Total--Office of the Secretary	101,987,598	71,639,793	808,019,527	683,562,939
Federal National Mortgage Association (net):				
Loans to secondary market operations fund	-26,230,000	-2,350,000	....	-4,460,000
Purchase of preferred stock	15,820,304	....	91,820,304	-38,000,000
Management and liquidating functions	30,145,581	-3,940,156	-121,066,683	-105,411,646
Special assistance functions	-103,709,685	-23,839,877	-311,406,408	-375,849,337
Participation sales fund [20]	-22,105,009	2,358,378	[21]-129,118,778	-24,926,780
Total--Federal National Mortgage Association	-106,078,807	-27,771,655	-469,771,566	-548,647,764
Federal Housing Administration:				
Public enterprise funds (net):				
Federal Housing Administration fund	5,951,145	-61,604,806	200,625,171	-115,350,402
Other [22]	-3,906,159	....	-3,906,159	....
Administrative expenses	153,914	....	225,898	....
Public Housing Programs (net)	29,394,575	22,994,177	236,745,755	230,116,306
Total--Housing and Urban Development Department	27,502,266	5,257,508	771,938,625	249,681,079
Interior Department:				
Public Land Management:				
Bureau of Land Management	8,872,860	5,696,809	142,843,622	131,344,831
Bureau of Indian Affairs:				
Public enterprise funds (net)	277,111	97,898	-375,252	178,019
Other	20,596,978	20,080,457	231,349,539	234,483,284
Bureau of Outdoor Recreation	2,425,694	1,255,133	16,338,146	3,827,059
Office of Territories:				
Public enterprise funds (net)	....	....	....	280,241
Other	4,155,427	1,938,814	44,680,162	24,945,790
The Alaska Railroad (net)	-8,346	291,735	10,484,949	15,024,708
Total--Public Land Management	36,319,726	29,360,848	445,321,166	410,083,936
Mineral Resources:				
Geological Survey [23]	6,145,066	4,437,586	74,995,870	68,835,525
Bureau of Mines:				
Public enterprise funds (net)	1,241,059	1,038,546	19,302,751	20,424,617
Other	5,210,896	2,813,202	44,050,854	40,961,779
Office of Coal Research	1,140,203	717,548	7,124,472	3,821,990
Office of Oil and Gas	97,954	61,413	730,996	685,946
Total--Mineral Resources	13,835,180	9,068,298	146,204,946	134,729,859
Fish and Wildlife and Parks:				
Office of Commissioner of Fish and Wildlife	33,811	54,369	394,445	442,795
Bureau of Commercial Fisheries:				
Public enterprise funds (net)	-35,319	-82,533	342,776	391,089
Other	3,619,286	3,110,695	38,586,994	37,778,335
Bureau of Sport Fisheries and Wildlife	9,454,455	8,002,620	88,054,723	79,498,327
National Park Service	13,834,462	10,883,532	136,347,599	130,296,172
Total--Fish and Wildlife and Parks	26,906,696	21,968,684	263,726,539	248,406,720

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Classification EXPENDITURES--Continued	This month	Corresponding month last year	Fiscal Year 1966 to date	Corresponding period fiscal year 1965
Interior Department--Continued				
Water and Power Development:				
Bureau of Reclamation:				
Public enterprise funds (net):				
Continuing fund for emergency expenses, Fort Peck project, Montana	$9,528	-$2,598,530	-$4,414,662	-$2,332,079
Upper Colorado River Basin fund	3,630,928	7,514,482	54,576,576	60,312,375
Other	29,496,361	23,261,813	310,856,321	269,966,488
Bonneville Power Administration:				
Public enterprise funds (net)	....	....	....	....
Other	7,047,962	4,520,262	70,454,043	54,895,298
Southeastern Power Administration:				
Public enterprise funds (net)	....	....	....	....
Other	46,310	33,230	592,630	644,171
Southwestern Power Administration:				
Public enterprise funds (net)	....	....	....	....
Other	794,602	344,312	8,430,558	7,775,523
Office of Saline Water	1,313,047	1,201,604	12,955,007	11,468,342
Total--Water and Power Development	42,338,740	34,277,175	453,450,475	402,730,120
Secretarial Offices:				
Office of the Solicitor	543,184	358,175	4,673,449	4,374,115
Office of the Secretary	696,787	691,797	4,846,855	4,205,723
Office of Water Resources Research	216,562	1,354,328	5,793,910	2,296,415
Virgin Islands Corporation (net)	27,425	-530,279	807,588	-2,073,584
Total--Interior Department	120,884,304	96,549,026	1,324,824,931	1,204,753,305
Justice Department:				
Legal activities and general administration	5,623,464	5,518,628	68,147,912	64,830,101
Federal Bureau of Investigation	14,270,858	12,611,028	168,032,576	159,507,465
Immigration and Naturalization Service	5,664,785	5,884,965	74,799,795	72,206,764
Federal Prison Systems:				
Federal Prison Industries, Inc. (net)	-520,606	315,003	-6,214,013	-1,439,001
Other	5,263,220	6,802,957	65,903,302	63,052,592
Total--Justice Department	30,301,722	31,132,583	370,669,573	358,157,922
Labor Department:				
Manpower Administration:				
Public enterprise funds (net):				
Advances to employment security administration account, unemployment trust fund	....	....	-2,217,373	-2,225,696
Farm labor supply revolving fund	-12	-6,792	-54,044	-357,611
Manpower development and training activities	21,960,948	20,946,106	272,751,968	230,040,677
Bureau of Apprenticeship and Training	563,666	452,833	6,894,795	5,547,451
Unemployment compensation for Federal employees and ex-servicemen	10,067,006	12,936,604	94,647,009	122,397,686
Other	1,017,578	725,595	13,528,995	7,869,874
Total--Manpower Administration	33,609,186	35,054,346	385,551,349	363,272,382
Labor-Management Relations	596,485	647,528	7,803,413	8,035,394
Wage and Labor Standards:				
Bureau of Labor Standards	259,607	232,888	3,142,548	3,601,039
Women's Bureau	64,976	41,163	847,081	773,169
Wage and Hour Division	1,406,018	1,664,683	20,777,282	20,295,038
Bureau of Employees' Compensation:				
Employees compensation claims and expenses	6,059,682	6,368,213	48,516,463	52,658,026
Salaries and expenses	361,176	375,596	4,488,192	4,432,002
Total--Wage and Labor Standards	8,151,461	8,682,546	77,771,568	81,759,275
Bureau of Labor Statistics	893,427	1,358,771	18,502,266	18,160,812
Bureau of International Labor Affairs	-398,830	126,058	991,309	722,083
Office of the Solicitor	413,160	226,905	5,303,590	4,850,891
Office of the Secretary	517,953	396,037	3,665,557	2,727,832
Total--Labor Department	43,782,845	46,492,195	499,589,055	479,528,672
Post Office Department:				
Public enterprise fund (net)--Postal fund	62,916,090	128,960,989	[4] 874,158,768	804,542,297
State Department:				
Administration of foreign affairs:				
Salaries and expenses	12,029,332	18,344,356	[24] 173,410,076	175,024,311
Acquisition, operation and maintenance of buildings abroad	950,154	2,361,118	17,666,025	26,195,899
Intragovernmental funds (net)	768,701	694,861	-154,778	853,819
Other	578,972	422,523	3,597,201	3,631,060
Total--Administration of foreign affairs	14,327,162	21,822,860	194,518,525	205,705,090

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Classification EXPENDITURES--Continued	This month	Corresponding month last year	Fiscal Year 1966 to date	Corresponding period fiscal year 1965
State Department--Continued				
International organizations and conferences:				
Contributions to international organizations	$16,244	$99,220	$94,376,088	$86,789,960
Loans to the United Nations	....	....	....	....
Other	469,198	588,974	6,045,689	5,852,079
International commissions........................	4,395,291	2,787,762	35,262,281	16,488,558
Educational exchange	5,621,277	5,987,597	59,752,416	58,357,540
Other	1,076,598	1,778,194	11,507,063	9,799,680
Total--State Department	25,905,772	33,064,610	401,462,063	382,992,910
Treasury Department:				
Office of the Secretary:				
Public enterprise funds (net):				
Reconstruction Finance Corp. liquidation fund	....	....	....	18,530
Federal Farm Mortgage Corp. liquidation fund ...	....	-136,016	-32,491	-277,006
Civil defense program fund	....	....	....	-27,741
Intragovernmental funds (net)	116	265	-40	596
Other	380,070	675,099	6,083,272	5,811,714
Bureau of Accounts:				
Interest on uninvested funds	108,431	97,643	13,988,293	11,752,147
Claims, judgments and relief acts.................	2,014,199	839,460	38,895,492	74,424,479
Government losses in shipment fund (net)	4,563	2,845	135,237	43,832
Salaries and expenses.............................	1,118,069	1,591,153	31,599,644	32,114,560
Other	....	....	5	1,215
Bureau of Customs:				
Intragovernmental funds (net)	213,393	166,302	900	-900
Other	5,666,555	9,168,861	81,855,972	77,953,406
Bureau of Engraving and Printing:				
Intragovernmental funds (net)	-1,854,742	-540,241	-2,158,699	906,053
Other	363,971	5,395	2,445,256	271,584
Bureau of the Mint	3,341,702	2,205,605	27,127,288	15,346,234
Bureau of Narcotics	393,477	612,646	5,728,889	5,457,647
Bureau of the Public Debt	2,858,459	3,781,488	50,173,964	49,650,826
Coast Guard:				
Intragovernmental funds (net)	-497,037	844,568	-6,819,943	-171,990
Other	26,373,393	37,184,978	408,205,694	386,664,948
Internal Revenue Service:				
Interest on refunds of taxes......................	10,439,615	6,014,376	103,661,799	77,237,382
Payments to Puerto Rico for taxes collected........	4,627,164	3,686,626	51,739,447	42,941,230
Other	40,893,298	69,065,996	611,166,226	586,627,205
Office of the Treasurer:				
Check forgery insurance fund (net)	6,319	-3,810	2,968	2,115
Other	574,797	728,825	6,096,323	6,341,586
U.S. Secret Service	1,229,168	1,267,802	13,729,347	10,461,943
Interest on the public debt (accrual basis):				
Public issues	910,091,345	822,454,195	10,378,421,352	9,803,834,379
Special issues....................................	177,921,735	166,842,282	1,655,192,154	1,542,620,201
Total--Interest on the public debt	1,088,013,080	989,296,477	12,033,613,506	11,346,454,580
Total--Treasury Department	1,186,268,067	1,126,556,350	13,477,238,359	12,730,006,184
Atomic Energy Commission	225,356,928	230,379,215	2,403,925,346	2,624,995,612
Federal Aviation Agency:				
Grants-in-aid for airports	2,806,161	3,967,959	53,989,325	70,598,086
Other	67,174,820	70,099,605	749,992,997	724,014,542
Total--Federal Aviation Agency.................	69,980,981	74,067,564	803,982,322	794,612,628
General Services Administration:				
Real property activities:				
Construction, public buildings projects	14,200,195	11,218,260	166,525,894	136,033,322
Repair and improvement of public buildings	6,611,228	6,512,862	89,888,944	82,729,856
Intragovernmental funds (net).....................	21,143,553	37,481,186	6,052,327	12,530,610
Other	-274,712	10,210,642	274,408,402	274,601,467
Personal property activities:				
Intragovernmental funds (net)	-42,319,981	-19,588,276	-35,647,588	13,355,856
Other	2,038,904	3,626,694	58,597,853	53,425,860
Utilization and disposal activities	693,021	688,714	9,698,180	9,712,825
Records activities.................................	1,289,275	1,257,759	16,522,259	16,010,619
Transportation and communications activities	-91,311	-1,916,841	3,977,719	7,382,212
Defense materials activities:				
Public enterprise funds (net).....................	....	....	....	2,650
Intragovernmental funds (net)	339,119	360,374	-31,940	68,489
Strategic and critical materials	884,519	1,236,669	15,828,593	16,284,451
General activities:				
Public enterprise funds (net).....................	-4,111	-4,182	-182,563	-217,884
Intragovernmental funds (net)	1,607,681	1,735,476	-1,061,453	-229,870
Other	178,696	154,790	1,975,123	1,985,134
Total--General Services Administration	6,296,079	52,974,131	606,551,755	623,675,602
National Aeronautics and Space Administration	570,643,547	507,078,118	5,932,630,931	5,092,904,122

Classification EXPENDITURES--Continued	This month	Corresponding month last year	Fiscal Year 1966 to date	Corresponding period fiscal year 1965
Veterans Administration:				
Compensation, pensions, and benefit programs	$285,124,497	$346,351,556	$4,272,257,946	$4,180,995,454
Public enterprise funds (net):				
Direct loan revolving fund	-57,987,364	-14,000,557	-659,032,935	-129,834,133
Loan guaranty revolving fund	19,358,692	-3,422,453	15,809,387	38,301,074
Other	-5,857,903	-6,929,833	-46,963,382	-29,094,880
Other	116,210,719	152,436,714	1,487,279,482	1,427,576,683
Total--Veterans Administration	356,848,640	474,435,427	5,069,350,498	5,487,944,217
Other independent agencies:				
Administrative Conference of the United States	...	...	...	...
Alaska Temporary Claims Commission	...	...	...	5,354
American Battle Monuments Commission	149,508	250,785	1,878,766	1,952,476
Atlantic-Pacific Interoceanic Canal Study Commission[5]	263,263	87,849	2,743,478	87,849
Central Intelligence Agency-construction	126,135	11,695	359,732	354,032
Civil Aeronautics Board:				
Payments to air carriers	5,695,010	6,036,705	74,622,354	80,422,548
Salaries and expenses	871,727	872,145	10,856,142	11,204,613
Civil Service Commission:				
Payment to civil service retirement and disability fund	...	...	67,000,000	65,000,000
Government payment for annuitants, employees health benefits	...	...	29,220,000	27,010,000
Other	2,134,068	2,757,930	26,663,703	25,102,210
Total--Civil Service Commission	2,134,068	2,757,930	122,883,703	117,112,210
Commission of Fine Arts	14,277	7,830	103,012	95,259
Commission on Civil Rights	172,300	111,637	1,513,943	1,150,626
Commission on International Rules of Judicial Procedure	...	4	24,990	4
Equal Employment Opportunity Commission	446,078	29,383	2,579,291	29,383
Export-Import Bank of Washington (net)	-368,653,055	-35,174,791	-385,023,380	-357,231,298
Farm Credit Administration (net):				
Revolving fund for administrative expenses	-444,427	-884,678	531,139	98,754
Short-term credit investment fund	...	900,000	2,290,000	3,375,000
Banks for cooperatives investment fund	-1,553,000	-6,400,000	-10,051,000	-20,287,000
Total--Farm Credit Administration	-1,997,427	-6,384,678	-7,229,860	-16,813,245
Federal Coal Mine Safety Board of Review	4,907	5,908	74,251	66,348
Federal Communications Commission	1,355,729	1,914,678	17,217,294	16,747,131
Federal Development Planning Committees for Alaska	6,177	6,318	137,870	87,083
Federal Home Loan Bank Board (net):				
Federal Savings and Loan Insurance Corp. fund	-126,509,291	-184,007,355	-255,423,309	-204,698,272
Other	301,847	166,130	-34,525	133,655
Federal Maritime Commission	258,075	237,086	3,091,098	2,856,776
Federal Mediation and Conciliation Service	517,594	482,763	6,550,185	6,283,641
Federal Power Commission	1,078,693	1,502,847	13,402,065	13,115,854
Federal Radiation Council	6,033	...	76,922	...
Federal Trade Commission	1,530,236	1,473,369	13,647,651	13,661,513
Foreign Claims Settlement Commission	181,678	155,615	1,853,095	35,046,593
General Accounting Office	3,574,041	4,953,164	46,122,781	44,948,316
Historical and Memorial Commissions	18,066	12,237	120,084	135,400
Indian Claims Commission	24,599	23,527	312,690	302,800
Intergovernmental Commissions:				
Advisory Commission on Intergovernmental Relations	35,496	33,234	429,794	422,387
Appalachian Regional Commission	-61,028	29,090	607,663	40,342
Commission on status of Puerto Rico	11,011	-14,921	227,679	43,614
Delaware River Basin Commission	4,648	3,235	139,596	131,387
Interstate Commission on the Potomac River Basin	...	...	5,000	5,000
Interstate Commerce Commission	2,152,740	2,193,245	27,263,904	26,491,243
National Capital Housing Authority	2,419	4,573	52,077	39,273
National Capital Planning Commission	314,016	2,402,923	1,284,783	3,537,987
National Capital Transportation Agency	250,399	34,151	1,985,785	616,895
National Commission on Food Marketing	117,548	88,978	1,388,906	407,720
National Commission on Technology, Automation, and Economic Progress	881	44,928	413,496	133,898
National Council on the Arts[26]	71	853	44,554	25,467
National Foundation on Arts and Humanities	291,735	...	1,195,653	...
National Labor Relations Board	3,155,680	2,084,533	28,371,894	25,220,791
National Mediation Board	172,478	150,727	1,906,625	1,891,645
National Science Foundation	45,243,877	29,106,622	368,255,528	308,892,484
President's Advisory Committee on Labor-Management Policy	3,426	840	44,284	106,155
President's Commissions on Law Enforcement and Administration of Justice and on Crime in D. C.	85,163	...	561,816	...
Public Land Law Review Commission	40,942	...	338,119	...
Railroad Retirement Board-Military service credits	...	...	16,558,000	13,834,000

See footnotes on page 11

Classification EXPENDITURES--Continued	This month	Corresponding month last year	Fiscal Year 1966 to date	Corresponding period fiscal year 1965
Other independent agencies--Continued				
Renegotiation Board	$272,055	$285,297	$2,450,399	$2,649,988
Saint Lawrence Seaway Development Corporation (net).	242,029	358,563	1,216,429	904,557
Securities and Exchange Commission	1,340,035	1,781,291	15,820,134	15,276,483
Selective Service System	4,417,738	4,134,409	54,216,966	43,210,555
Small Business Administration:				
Public enterprise funds (net)	-337,418,183	7,417,230	-148,739,255	236,220,555
Salaries and expenses	390,978	4,499,414	6,320,118	6,658,280
Other	139,209	222,820	83,879	43,349
Total--Small Business Administration	-336,887,995	12,139,465	-142,335,258	242,922,186
Smithsonian Institution	3,054,419	3,097,515	29,866,915	27,986,333
Subversive Activities Control Board	28,775	44,019	363,112	408,843
Tariff Commission	365,274	354,923	3,246,115	3,270,600
Tax Court of the United States	174,507	163,031	2,125,892	2,087,496
Tennessee Valley Authority (net)	16,517,291	12,244,866	53,876,293	47,937,189
U.S. Arms Control and Disarmament Agency	727,542	227,059	8,799,000	7,302,368
United States Information Agency:				
Informational media guarantee fund (net)	-202,323	189,176	-78	872,544
Salaries and expenses	13,045,805	13,210,620	153,081,529	150,168,459
Construction of radio facilities	485,193	291,714	7,198,035	6,638,804
Other	424,664	545,261	5,116,877	7,433,903
Total--U.S. Information Agency	13,753,340	14,236,773	165,396,363	165,113,711
United States Study Commissions	....	....	....	8
Water Resources Council	11,073	....	44,346	....
Total--Other independent agencies	-722,592,123	-119,236,972	318,622,207	707,967,275
District of Columbia:				
Federal payment to District of Columbia	....	....	47,372,000	40,720,000
Advances for general expenses (repayable)	21,000,000	2,500,000	-5,000,000	9,000,000
Loans to District of Columbia for capital outlay	2,800,000	200,000	28,325,000	10,700,000
Advances to District of Columbia (stadium fund)	415,800	415,800	756,600	831,600
Interfund transactions (-) (See detail on page 2)	-42,903,651	-45,034,312	-628,746,933	-869,865,300
Net administrative budget expenditures	9,378,103,122	9,069,561,488	106,917,396,868	96,506,904,210
Administrative budget surplus (+) or deficit (-)	+7,676,395,600	+4,334,505,855	-2,286,297,850	-3,435,107,318

FOOTNOTES

Source: Prepared by the United States Treasury Department, Bureau of Accounts, on the basis of reports received from disbursing, collecting, and administrative agencies of the Government.

[1] This statement is preliminary and is based on reports from disbursing, collecting and administrative agencies of the Government. Final reports of Government disbursing, collecting and administrative agencies, including certain overseas transactions for the year ended June 30, 1966, which it has not been possible to include in this statement, will be incorporated in the final statement for fiscal year 1966 to be published at a later date.

[2] Includes debt not subject to limitation, which on June 30, 1966, amounted to $266,414,118. The statutory debt limitation established at $285 billion by act approved June 30, 1959, has been temporarily increased during the periods covered by this table. The dates when each increase became effective are as follows: $308 billion on July 1, 1962; $305 billion on April 1, 1963; $307 billion on May 29, 1963; $309 billion on July 1, 1963; $315 billion on December 1, 1963; $324 billion on June 29, 1964; $328 billion on July 1, 1965; and $330 billion on July 1, 1966.

[3] From 1967 Budget Document released January 24, 1966.

[4] Transactions covered the period July 1, 1965 through June 30, 1966 and are partially estimated.

[5] Distribution between income taxes and employment taxes made in accordance with provisions of Sec. 201 of the Social Security Act as amended, for transfer to the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund and the Federal Hospital Insurance Trust Fund.

[6] The distribution of amounts by type of tax applicable to budget accounts for the month is partially estimated.

[7] Formerly reported under Senate and House of Representatives.

[8] Represents net cash transactions for Department of Defense pursuant to provisions in Public Law 89-171, approved September 6, 1965.

[9] Includes "Intragovernmental funds (net)".

[10] Represents residual of gross receipts and expenditures after reduction for certain costs which are included in amounts shown for special activities.

[11] Includes certain costs transferred from price support operations for which expenditures may have been made in prior years, in addition to adjustments for prior months' transactions.

[12] Formerly reported under "Economic Development Administration--Other".

[13] Formerly reported under "National Bureau of Standards--Other".

[14] Formerly reported under "Office of Education--Other".

[15] Formerly was reported as "Payments to school districts" and includes part of "Assistance for school construction".

[16] Formerly was reported under "Assistance for school construction".

[17] Formerly reported under "Environmental health".

[18] Formerly reported under "Welfare Administration--Other".

[19] Formerly reported under "General Administration and other--Other".

[20] Formerly was "Government mortgage liquidation fund".

[21] The proceeds from sale of participation certificates amounting to $1,834,008,630 were credited to this fund and paid over to Veterans Administration; to Special Assistance Functions fund, FNMA; to Management and Liquidating Functions fund, FNMA; and to Small Business Administration.

[22] Formerly reported under "Office of the Secretary--Public enterprise fund--Other".

[23] Includes "Office of Minerals Exploration".

[24] Gives effect to reimbursements collected for administrative support furnished to other agencies amounting to approximately $113,421,756.

[25] Formerly reported under "Defense Department--Civil--Department of the Army-Other".

[26] Formerly reported under "Executive Office of the President".

[27] Includes adjustment due to reclassification.

[28] Formerly reported under "Office of the Secretary (FHA debentures)".

[29] Represents changes in cash on hand, in banks held outside the Treasurer's account, deposits in transit and cash payments not yet covered by vouchers processed through accounts.

[30] Amounts shown for individual classifications are net of refunds of taxes. For gross amounts of administrative budget receipts including Internal Revenue and also Trust fund receipts see Table III, page 2 and Table IV, page 12.

[31] Breakdown not available.

TABLE IV--TRUST RECEIPTS AND EXPENDITURES--JUNE 30, 1966

Classification RECEIPTS	This month	Corresponding month last year	Fiscal Year 1966 to date	Corresponding period fiscal year 1965
Legislative Branch:				
Payments from general fund	$100,684	$89,981	$193,653	$180,355
Other	188,315	117,076	2,456,147	1,462,762
The Judiciary:				
Judicial survivors annuity fund:				
Contributions	73,632	64,757	827,283	790,371
Interest on investments	1,519	-4,530	107,508	89,797
Funds appropriated to the President:				
Military assistance advances	133,100,724	50,920,103	707,405,567	824,430,915
Economic assistance	11,992	564,204	2,082,401	1,583,897
Other	31,519	65,029	539,126	230,507
Agriculture Department	4,585,828	5,267,722	58,245,068	57,947,605
Commerce Department:				
Highway trust fund:				
Transfers from general fund receipts	361,100,000	346,668,156	4,036,574,681	3,782,007,512
Less refunds of taxes	....	....	-119,771,762	-123,498,341
Advances from general fund	....	....	70,000,000	....
Less return of advances to the general fund	....	....	-70,000,000	....
Interest on investments	1,347,270	1,663,952	7,983,464	11,034,928
Total--Highway trust fund	362,447,270	348,332,109	3,924,786,383	3,669,544,099
Other	32,468,170	1,055,796	63,383,940	10,317,333
Defense Department:				
Military	8,520	225,736	21,849,902	5,744,796
Civil:				
Payments from general fund	....	....	3,194,638	3,135,803
Other	2,115,224	1,868,832	30,820,580	25,965,040
Health, Education, and Welfare Department:				
Federal old-age and survivors insurance trust fund:				
Transfers from general fund receipts:				
Appropriated	2,217,000,000	1,359,731,325	16,685,595,031	14,777,984,820
Unappropriated	....	-110,000,000	....	-27,000,000
Less refunds of taxes	....	....	-212,079,375	-178,625,500
Deposits by States	[27] -35,055,899	2,317,827	1,392,255,977	1,257,853,080
Interest and profits on investments	206,281,147	213,786,212	588,159,101	583,124,534
Interest payments by Railroad Retirement Board	....	....	....	....
Federal payments for military service credits	....	....	....	....
Other	3,042,193	15,157	6,689,731	3,189,891
Total--Federal old-age and survivors insurance trust fund	2,391,267,442	1,465,850,523	18,460,620,465	16,416,526,827
Federal disability insurance trust fund:				
Transfers from general fund receipts:				
Appropriated	216,000,000	105,891,859	1,457,892,986	1,095,087,773
Unappropriated	....	-8,000,000	....	....
Less refunds of taxes	....	....	-15,595,625	-13,064,500
Deposits by States	[27] 26,444,844	650,401	114,354,574	93,220,620
Interest and profits on investments	19,394,056	23,820,112	59,547,093	65,247,217
Interest payments by Railroad Retirement Board	....	....	....	....
Federal payments for military service credits	....	....	....	....
Other	1,543	994	26,459	16,970
Total--Federal disability insurance trust fund	261,840,445	122,363,369	1,616,225,488	1,240,508,081
Federal hospital insurance trust fund:				
Transfer from general fund receipts	220,000,000	....	862,000,000	....
Less refunds of taxes	....	....	....	....
Deposits by States	[27] 26,444,868	....	46,796,913	....
Interest and profits on investments	6,889,383	....	6,898,007	....
Interest payments by Railroad Retirement Board	....	....	....	....
Federal payments for military service credits	....	....	....	....
Federal payments for railroad employees	....	....	....	....
Federal payments for transitional coverage	....	....	....	....
Other	....	....	....	....
Total--Federal hospital insurance trust fund	253,334,251	....	915,694,921	....
Federal supplementary medical insurance trust fund:				
Premiums deducted from benefit payments	....	....	....	....
Premiums deposited by States	....	....	....	....
Premiums collected by Social Security Administration	....	....	....	....
Total premiums	....	....	....	....
Federal contributions	....	....	....	....
Repayable advances from general fund	....	....	....	....
Interest and profits on investments	....	....	....	....
Other	....	....	....	....
Total--Federal supplementary medical insurance trust fund	....	....	....	....
Other	23,490	65,888	297,202	337,525

See footnotes on page 11

Classification RECEIPTS--Continued	This month	Corresponding month last year	Fiscal Year 1966 to date	Corresponding period fiscal year 1965
Interior Department:				
Indian tribal funds	$2,727,085	$3,147,407	$38,710,350	$58,590,523
Payments from general fund	662	....	35,107,608	65,842,526
Other	1,564,774	2,216,352	12,616,916	12,870,094
Labor Department:				
Unemployment trust fund:				
Employment security administration account:				
Transfers (Federal unemployment taxes):				
Appropriated	2,165,000	2,783,000	564,909,345	622,037,760
Unappropriated	83,602	-1,128,738	2,123,440	461,426
Less refunds of taxes	-907,650	-629,462	-6,000,360	-7,608,577
Advances from general (revolving) fund	....	....	210,245,448	194,968,108
Less return of advances to the general fund	....	....	-210,245,448	-194,968,108
State accounts--deposits by States	26,541,136	41,265,916	3,067,132,243	3,051,539,275
Federal unemployment account--less transfer of receipts to Labor	....	+127	....	+127
Railroad unemployment insurance account:				
Deposits by Railroad Retirement Board	29,617,145	29,804,172	139,130,646	142,780,563
Advances from railroad retirement account	....	....	40,895,000	58,230,000
Railroad unemployment insurance adm. fund:				
Deposits by Railroad Retirement Board	1,974,453	1,986,873	9,280,555	9,519,774
Interest and profits on investments	112,210,695	87,194,951	308,682,996	255,264,828
Total--Unemployment trust fund	171,684,381	161,276,840	4,126,153,867	4,132,225,179
Other	2,471	38,116	72,975	130,163
State Department:				
Foreign Service retirement and disability fund:				
Deductions from salaries and other receipts	426,320	335,911	4,095,377	3,877,557
Employing agency contributions	406,287	326,472	3,966,156	3,686,757
Receipts from Civil Service retirement and disability fund	55,773	28,292	933,716	795,896
Interest on investments	1,459,109	1,422,759	1,630,014	1,577,255
Other	5,030	21,445	281,145	1,258,122
Treasury Department	3,154,210	2,403,729	28,739,169	24,234,676
Atomic Energy Commission	....	180,000	1,215,000	1,229,591
General Services Administration	514	408	190,597	2,244,378
National Aeronautics and Space Administration	....	5	20,127	540,521
Veterans Administration:				
Government life insurance fund:				
Premiums and other receipts	1,417,215	796,875	14,383,144	14,732,515
Payments from general fund	5,827	1,628	85,072	-119,011
Interest on investments	31,853,164	32,407,194	33,210,367	33,761,925
National service life insurance fund:				
Premiums and other receipts	41,999,640	37,209,025	500,096,544	472,983,649
Payments from general fund	346,126	527,713	5,170,556	7,028,552
Interest on investments	189,926,336	179,758,000	190,782,526	182,144,899
Other	130,203	199,184	1,914,959	1,811,470
Total--Veterans Administration	265,678,512	250,899,622	745,643,171	712,344,003
Other independent agencies:				
Civil Service Commission:				
Civil Service retirement and disability fund:				
Deductions from employees' salaries, etc	101,325,838	89,758,406	1,096,744,955	1,050,416,467
Payments from other funds:				
Employing agency contributions	101,327,896	89,761,826	1,097,453,174	1,050,356,476
Federal contribution	....	....	67,000,000	65,000,000
Voluntary contributions, donations, etc	1,556,732	1,225,904	15,814,959	16,429,592
Interest and profits on investments	488,978,360	436,616,505	546,357,597	482,170,944
Total--Civil Service Commission	693,188,828	617,362,642	2,823,370,686	2,664,373,481
Railroad Retirement Board:				
Railroad retirement account:				
Transfers (Railroad Act taxes):				
Appropriated	62,672,184	65,813,983	677,489,109	630,429,539
Unappropriated	579,473	-9,311,541	5,686,625	5,115,907
Fines and penalties	....	....	200	....
Interest and profits on investments	109,360,529	103,411,834	150,010,957	143,133,662
Interest on advances to railroad unemployment insurance account	9,754,278	11,036,945	10,936,915	12,167,342
Repayment of advances to railroad unemployment insurance account	12,505,000	13,700,000	81,530,000	77,935,000
Payment from Federal old-age and survivors, disability and hospital insurance trust funds	468,782,000	459,253,000	468,782,000	459,253,000
Federal payments for military service credits	....	....	16,558,000	13,834,000
Other	....	....	....	....
Total--Railroad Retirement Board	663,653,466	643,904,222	1,410,993,807	1,341,868,451
Other	47,616,443	78,380	143,207,014	9,824,332

TABLE IV--TRUST RECEIPTS AND EXPENDITURES--JUNE 30, 1966--Continued

Classification RECEIPTS--Continued	This month	Corresponding month last year	Fiscal Year 1966 to date	Corresponding period fiscal year 1965
District of Columbia:				
Revenues from taxes, etc.	$17,888,912	$16,620,629	$311,467,469	$287,262,818
Payments from general fund:				
Federal contribution	....	....	47,372,000	40,720,000
Advances for general expenses	21,000,000	2,500,000	42,000,000	50,000,000
Less return of advances to general fund	....	....	-47,000,000	-41,000,000
Loans for capital outlay	2,800,000	200,000	28,325,000	10,700,000
Other loans and grants	3,568,943	4,323,557	53,686,545	41,704,666
Interfund transactions (-):				
Payments to employees' retirement fund receipts	1,438,803	1,341,331	17,640,962	16,340,286
Payments between funds:				
FOASI fund to railroad retirement account	443,820,000	435,638,000	443,820,000	435,638,000
Unemployment trust fund from railroad retirement account	....	....	40,895,000	58,230,000
Other	97,794,077	48,380,237	267,487,745	128,229,869
Total interfund transactions (-)	-543,052,880	-485,359,568	-769,843,707	-638,438,156
Net trust receipts	4,795,427,880	3,218,773,826	34,851,685,292	31,047,258,561
EXPENDITURES				
Legislative Branch	141,842	147,699	1,913,558	1,896,974
The Judiciary--Judicial survivors annuity fund	28,077	36,183	493,914	487,789
Funds appropriated to the President:				
Military assistance advances	102,869,871	132,786,602	750,247,693	744,553,159
Economic assistance	689,695	-69,983	2,295,056	2,172,272
Other	16,174	70,303	388,145	138,757
Agriculture Department:				
Trust enterprise funds (net)	998,012	-35,151	1,457,666	-1,082,757
Other	5,181,502	6,397,293	53,754,103	53,108,196
Commerce Department:				
Highway trust fund - Federal-Aid Highways	361,020,962	358,359,360	3,966,270,489	4,026,117,471
Interest payment on advances	....	....	678,319	....
Other	1,145,539	1,871,717	19,070,368	20,962,017
Defense Department:				
Military	-9,589,907	453,381	7,149,774	5,438,794
Civil:				
Trust enterprise funds (net)	2,152	4,673	-4,870	-1,638
Other	2,734,007	2,764,128	30,069,584	31,387,333
Health, Education, and Welfare Department:				
Federal old-age and survivors insurance trust fund:				
Administrative expenses:				
Social Security Administration	38,386,095	36,388,215	443,416,196	322,787,831
Reimbursement from Federal disability, hospital, and supplementary medical insurance trust funds.	-154,709,000	....	-240,644,593	-75,110,959
Payments to general fund	4,302,862	4,511,466	49,851,982	52,378,198
Benefit payments	1,536,759,634	1,302,802,594	18,071,458,002	15,225,894,365
Vocational rehabilitation services	....	....	....	....
Payment to Railroad Retirement Board	443,820,000	435,638,000	443,820,000	435,638,000
Construction	157,202	55,867	1,518,676	305,245
Total--Federal old-age and survivors insurance trust fund	1,868,716,794	1,779,396,144	18,769,420,264	15,961,892,682
Federal disability insurance trust fund:				
Administrative expenses:				
Social Security Administration	....	....	....	....
Reimbursement to Federal old-age and survivors insurance trust fund	94,941,170	....	184,458,163	78,223,221
Payments to general fund	412,830	339,531	4,717,561	3,767,958
Benefit payments	145,110,466	126,293,525	1,719,730,183	1,392,190,264
Vocational rehabilitation services	1,133,509	....	1,493,049	....
Payment to Railroad Retirement Board	24,962,000	23,615,000	24,962,000	23,615,000
Construction	....	....	....	....
Total--Federal disability insurance trust fund	266,559,975	150,248,057	1,935,360,956	1,497,796,444
Federal hospital insurance trust fund:				
Administrative expenses:				
Social Security Administration	....	....	....	....
Reimbursement to Federal old-age and survivors insurance trust fund	62,784,855	....	62,784,855	....
Payments to general fund	285,154	....	1,706,531	....
Benefit payments	....	....	....	....
Payment to Railroad Retirement Board	....	....	....	....
Construction	....	....	....	....
Total--Federal hospital insurance trust fund	63,070,009	....	64,491,386	....

Classification EXPENDITURES--Continued	This month	Corresponding month last year	Fiscal Year 1966 to date	Corresponding period fiscal year 1965
Health, Education and Welfare Department--Continued				
Federal supplementary medical insurance trust fund:				
Administrative expenses:				
Social Security Administration	...	...	...	...
Reimbursement to Federal old-age and survivors insurance trust fund	...	...	...	...
Payments to general fund	...	...	...	...
Benefit payments	...	...	...	...
Repayment of advances from general fund	...	...	...	...
Construction	...	...	...	...
Total--Federal supplementary medical insurance trust fund	...	...	...	...
Other	$24,650	$46,221	$222,025	$561,805
Housing and Urban Development Department:				
Federal National Mortgage Association (net):				
Loans for secondary market operations and purchase of preferred stock	10,409,695	2,350,000	-91,820,304	42,460,000
Other secondary market operations	105,723,300	5,147,947	1,567,373,787	49,008,362
Interior Department:				
Indian tribal funds	7,932,285	9,058,007	84,132,717	74,015,405
Other	1,317,510	1,238,176	12,634,931	11,250,291
Justice Department (net):				
Alien property activities	51,258,282	833,579	152,813,057	-168,758,283
Federal Prison System commissary funds	-7,405	16,161	-60,484	27,462
Labor Department:				
Unemployment trust fund:				
Employment security administration account:				
Salaries and expenses, Bureau of Employment Security	649,201	1,128,905	16,921,370	13,356,526
Grants to States for unemployment compensation and employment service administration	66,998,967	56,621,812	477,044,782	399,396,202
Payments to general fund:				
Reimbursements and recoveries	904,637	3,267,408	29,775,159	112,017,648
Interest on refunds of taxes	40,233	17,184	232,554	172,046
Payment of interest on advances from general (revolving) fund	...	...	2,217,373	2,225,696
Railroad unemployment insurance account:				
Benefit payments	5,541,586	6,459,337	88,136,578	115,243,038
Repayment of advances to railroad retirement acct.	12,505,000	13,700,000	81,530,000	77,935,000
Payment of interest on advances from railroad retirement account	9,754,278	11,036,945	10,936,915	12,167,342
Railroad unemployment insurance adm. fund:				
Administrative expenses	527,240	410,420	6,935,884	7,860,863
State accounts:				
Withdrawals by States	103,197,647	154,420,474	1,973,966,790	2,389,611,624
Federal extended compensation account:				
Temporary extended unemployment compensation payments	127,733	497,094	-211	-514
Repayment of advances from general fund	...	...	...	-655
Total--Unemployment trust fund	200,246,526	247,559,583	2,687,697,199	3,129,984,818
Other	29,704	30,130	167,119	234,250
State Department:				
Foreign Service retirement and disability fund	814,794	713,620	9,362,532	8,306,582
Other	22,562	55,056	379,850	1,243,491
Treasury Department	2,194,298	1,994,091	26,670,394	22,959,463
Atomic Energy Commission	121,413	131,364	1,039,092	941,590
Federal Aviation Agency	...	...	...	...
General Services Administration:				
Trust enterprise funds (net)	-51,897	-13,776	-188,891	-3,545
Other	44,601	11,036	296,768	214,128
National Aeronautics and Space Administration	190,820	...	498,457	50,317
Veterans Administration:				
Benefits, refunds and dividends:				
Government life insurance fund	8,052,114	4,427,699	69,462,231	70,528,299
National service life insurance fund	50,211,897	29,176,668	487,890,716	544,995,877
Other	316,997	47,099	4,530,598	1,513,658
Other independent agencies:				
Civil Service Commission:				
Civil service retirement and disability fund	155,979,959	126,316,280	1,685,943,657	1,438,146,839
Employees health benefits fund (net)	-3,570,318	1,133,833	1,328,265	-9,277,515
Employees life insurance fund (net)	-1,897,018	-107,452	-17,338,143	-26,361,034
Retired employees health benefits fund (net)	1,071,687	1,165,253	278,454	-782,501
Total--Civil Service Commission	151,584,310	128,507,913	1,670,212,233	1,401,725,787
National Capital Housing Authority (net)	684,461	298,485	709,556	587,568

TABLE IV--TRUST RECEIPTS AND EXPENDITURES--JUNE 30, 1966--Continued

Classification EXPENDITURES--Continued	This month	Corresponding month last year	Fiscal Year 1966 to date	Corresponding period fiscal year 1965
Other independent agencies--Continued				
Railroad Retirement Board:				
Railroad retirement account:				
Administrative expenses	$887,733	$865,207	$11,332,692	$10,342,427
Benefit payments, etc.	100,782,883	94,148,835	1,193,562,649	1,116,369,550
Payment to Federal old-age and survivors, disability and hospital insurance trust funds	....	....	....	....
Advances to railroad unemployment insurance account	....	....	40,895,000	58,230,000
Interest on refunds of taxes	49	985	2,485	9,281
Total--Railroad Retirement Board	101,670,666	95,015,029	1,245,792,827	1,184,951,259
Other:				
Trust enterprise funds (net)	-16,553	42,918	-26,581	-116,407
Other	909,049	128,958	5,888,376	376,583
District of Columbia	44,098,988	39,895,300	428,498,223	384,521,808
Deposit fund accounts:				
Food stamps issued (receipts):				
Payments from general fund	-7,304,745	-3,988,571	-64,252,446	-32,504,829
Receipts from sales	-13,370,574	-7,075,287	-108,012,993	-52,844,460
Food stamps redeemed (expenditures)	20,841,946	11,045,886	170,595,776	83,774,157
Other deposit funds (net)	386,493,305	598,979,313	-593,781,544	-208,031,167
Total deposit fund accounts	386,659,931	598,961,340	-595,451,208	-209,606,300
Subtotal trust and deposit fund expenditures	3,788,027,717	3,598,103,027	33,371,781,637	28,896,841,773
Government-sponsored enterprises (net):				
Farm Credit Administration:				
Banks for cooperatives	9,520,000	9,100,000	155,531,000	189,231,000
Federal intermediate credit banks	108,737,500	96,458,500	390,897,000	149,032,500
Federal land banks	124,654,800	116,970,000	573,552,300	561,021,400
Federal Home Loan Bank Board:				
Home loan banks	-32,475,000	265,140,000	1,293,405,000	659,661,000
Federal Deposit Insurance Corporation	....	-1,500,000	-227,022,000	-179,957,000
Total Government-sponsored enterprises	210,437,300	486,168,500	2,186,363,300	1,378,988,900
Interfund transactions (-) (See detail on page 14)	-543,052,880	-485,359,568	-769,843,707	-638,438,156
Net trust expenditures	3,455,412,137	3,598,911,959	34,788,301,229	29,637,392,517
Excess of trust receipts (+) or expenditures (-)	+1,340,015,743	-380,138,133	+63,384,063	+1,409,866,044

TABLE V--INVESTMENTS IN PUBLIC DEBT AND AGENCY SECURITIES (NET)

Public enterprise funds:				
Commerce Department	....	....	$152,000	$96,000
Housing and Urban Development Department:				
Office of the Secretary (FHA debentures)	-$387,700	....	2,592,650	....
Federal National Mortgage Association:				
Public debt securities:				
Participation sales fund	-27,454,000	....	-4,091,000	5,794,000
Guaranteed securities (FHA debentures):				
Management and liquidating functions	-3,150	-$7,953,800	-783,850	-21,705,800
Special assistance functions fund	-88,350	4,148,100	-4,270,650	-961,100
Not guaranteed securities:				
Participation sales fund	2,740,000	-2,370,000	86,390,000	19,115,000
Federal Housing Administration:				
Federal Housing Administration fund:				
Public debt securities	-25,000,000	-52,594,000	-92,578,000	-195,059,500
Guaranteed securities (FHA debentures)	-367,450	2,362,700	-36,363,600	1,693,800
Other:				
Guaranteed securities (FHA debentures)	387,700	....	387,700	....
Public Housing Program	....	-5,000,000	13,500,000	-17,000,000
Federal Savings and Loan Insurance Corporation	100,000,000	198,000,000	204,079,000	207,528,000
Other	3,136,000	6,284,000	36,651,000	28,566,000
Total public enterprise funds	52,963,050	142,877,000	205,665,250	28,066,400

See footnotes on page 11.

TABLE V--INVESTMENTS IN PUBLIC DEBT AND AGENCY SECURITIES (NET)--Continued

Classification	This month	Corresponding month last year	Fiscal Year 1966 to date	Corresponding period fiscal year 1965
Trust accounts, etc.:				
Judicial survivors annuity fund	$244,500	$78,000	$444,000	$430,000
Highway trust fund	37,926,000	-27,208,000	-27,631,000	-343,634,000
Foreign service retirement and disability fund	1,384,000	1,268,000	1,144,000	1,530,000
Federal disability insurance trust fund	-13,630,774	26,581,225	-412,937,707	-262,942,856
Federal old-age and survivors insurance trust fund	482,449,712	-20,144,273	-857,068,906	460,855,144
Federal hospital insurance trust fund	188,944,000	....	785,758,000	....
Federal supplementary medical insurance trust fund	....	....	....	....
Unemployment trust fund	-10,855,452	-115,070,169	1,468,031,287	966,763,653
Federal National Mortgage Association:				
Secondary market operations:				
Public debt securities	....	-55,000,000	....	....
Guaranteed securities (FHA debentures)	....	-997,050	697,650	1,006,250
Not guaranteed securities	....	-66,500,000	....	....
Veterans life insurance funds:				
Government life insurance fund:				
Public debt securities	25,715,000	28,343,000	4,216,000	-22,386,000
Not guaranteed securities	....	....	-25,000,000	....
National service life insurance fund	180,665,000	189,814,000	203,973,000	125,765,000
Civil Service Commission:				
Civil service retirement and disability fund	533,186,000	483,363,000	1,111,416,000	1,212,396,000
Employees health benefits fund	....	502,500	-4,821,500	8,920,500
Employees life insurance fund	-659,000	796,000	14,890,500	26,614,000
Retired employees health benefits fund	-1,100,000	-2,200,000	-191,000	1,225,000
Railroad retirement account	561,572,000	557,715,000	153,867,000	149,281,000
Government-sponsored enterprises (net):				
Farm Credit Administration:				
Banks for cooperatives	-50,000	-20,000	1,924,000	-91,000
Federal intermediate credit banks	-157,500	-833,500	-317,000	-1,727,500
Federal land banks	....	....	-60,000	-2,106,000
Federal Home Loan Bank Board:				
Home loan banks	442,000,000	7,540,000	259,925,000	-103,846,000
Federal Deposit Insurance Corporation	....	1,500,000	227,022,000	179,957,000
Other	-153,178,605	-537,889,756	459,688,650	-70,546,175
Total trust accounts, etc.	2,274,454,879	471,637,976	3,364,969,973	2,327,464,016
Net investments, or sales (-)	2,327,417,929	614,514,976	3,570,635,223	2,355,530,416

TABLE VI--SALES AND REDEMPTIONS OF GOVERNMENT AGENCY SECURITIES IN MARKET (NET)

Public enterprise funds:				
Guaranteed by the United States:				
Federal Farm Mortgage Corporation in liquidation	....	$200	$8,400	$11,500
Federal Housing Administration:				
Issues (net) to government agencies	$846,650	2,440,050	38,127,800	19,966,850
Issues (net) to the public	3,135,150	13,122,750	90,602,350	202,717,550
Home Owners' Loan Corporation	1,000	2,125	1,775	8,425
Not guaranteed by the United States:				
Home Owners' Loan Corporation	25	....	300	3,550
Tennessee Valley Authority	-40,000,000	....	-60,000,000	-45,000,000
Trust enterprise funds:				
Not guaranteed by the United States:				
Federal National Mortgage Association (secondary market operations)	-125,580,000	101,002,000	-1,471,885,000	-98,592,000
Government-sponsored enterprises (net):				
Not guaranteed by the United States:				
Farm Credit Administration:				
Banks for cooperatives	-9,470,000	-9,080,000	-157,455,000	-189,140,000
Federal intermediate credit banks	-108,580,000	-95,625,000	-390,580,000	-147,305,000
Federal land banks	-124,654,800	-116,970,000	-573,492,300	-558,915,400
Federal Home Loan Bank Board:				
Home loan banks	-409,525,000	-272,680,000	-1,553,330,000	-555,815,000
Net redemptions, or sales (-)	-813,826,975	-377,787,875	-4,078,001,675	-1,372,059,525

TABLE VII--PUBLIC DEBT RECEIPTS AND EXPENDITURES

(Includes exchanges)

Classification	This month	Corresponding month last year	Fiscal Year 1966 to date	Corresponding period fiscal year 1965
Receipts (issues):				
Public issues:				
Marketable	$12,509,649,000	$10,838,231,000	$175,398,062,000	$176,276,726,000
Non-marketable	855,685,858	1,161,584,041	11,327,194,646	9,209,978,673
Total public issues	13,365,334,858	11,999,815,041	186,725,256,646	185,486,704,673
Special issues	20,314,323,947	16,756,738,843	63,767,562,014	53,286,544,486
Other issues	....	....	585,325,938	512,920,819
Total public debt receipts	33,679,658,806	28,756,553,885	251,078,144,598	239,286,169,978
Expenditures (retirements):				
Public issues:				
Marketable	17,068,862,368	13,960,199,703	174,934,720,758	174,043,506,869
Non-marketable	1,034,784,038	776,431,269	11,926,412,968	7,711,403,075
Total public issues	18,103,646,406	14,736,630,973	186,861,133,726	181,754,909,945
Special issues	17,998,627,053	15,939,910,100	61,297,018,863	51,264,015,461
Other issues	29,609,865	23,693,074	286,803,196	706,244,845
Total public debt expenditures	36,131,883,325	30,700,234,147	248,444,955,786	233,725,170,252
Excess of receipts (+) or expenditures (-)	-2,452,224,518	-1,943,680,261	+2,633,188,811	+5,560,999,726

TABLE VIII--EFFECT OF OPERATIONS ON PUBLIC DEBT

Administrative budget surplus (-) or deficit (+) (Table III).	-$7,676,395,600	-$4,334,505,855	+$2,286,297,850	+$3,435,107,318
Excess of trust receipts (-) or expenditures (+) (Table IV)	-1,340,015,743	+380,138,133	-63,384,063	-1,409,866,044
Excess of investments (+) or sales (-) in public debt and agency securities (Table V)	+2,327,417,929	+614,514,976	+3,570,635,223	+2,355,530,416
Excess of sales (-) or redemptions (+) of Government agency securities in market (net) (Table VI)	-813,826,975	-377,787,875	-4,078,001,675	-1,372,059,525
Increase (-) or decrease (+) in checks outstanding and deposits in transit (net) and other accounts	-317,051,750	-458,452,399	+820,632,575	+913,131,940
Increase (-) or decrease (+) in public debt interest accrued	+678,576,805	+618,854,674	+47,316,166	-109,510,938
Increase (+) or decrease (-) in cash held outside Treasurer's account[29]	+358,927,125	-181,150,089	+252,580,160	+174,133,131
Increase (+) or decrease (-) in balance of Treasurer's account	+4,330,143,689	+1,794,708,174	-202,887,425	+1,574,533,426
Increase (+) or decrease (-) in public debt (Table VII above)	-2,452,224,518	-1,943,680,261	+2,633,188,811	+5,560,999,726
Gross debt at beginning of period	322,359,312,314	319,217,579,245	317,273,898,983	311,712,899,257
Gross public debt at end of period	319,907,087,795	317,273,898,983	319,907,087,795	317,273,898,983
Guaranteed debt of U. S. Government agencies	461,547,275	590,326,050	461,547,275	590,326,050
Total public debt and guaranteed securities	320,368,635,070	317,864,225,033	320,368,635,070	317,864,225,033
Deduct: Debt not subject to statutory limitation	266,414,118	283,364,986	266,414,118	283,364,986
Total debt subject to statutory limitation	320,102,220,951	317,580,860,047	320,102,220,951	317,580,860,047

TABLE IX--SUPPLEMENTARY TABLE OF RECEIPTS AND EXPENDITURES OF PUBLIC ENTERPRISE (REVOLVING) FUNDS

(Included in expenditures in Table III on a net basis)

Classification	Fiscal year 1966 to date			Corresponding fiscal year 1965 Net receipts (-) or expenditures
	Receipts	Expenditures	Net receipts (-) or expenditures	
Funds appropriated to the President:				
Expansion of defense production	$166,372,874	$16,566,457	-$149,806,417	$59,552,976
Office of Economic Opportunity	3,954,031	33,632,533	29,678,502	17,157,683
Military assistance--foreign military sales fund[8]	141,558,405	51,620,031	-89,938,373	....
Economic assistance:				
Alliance for progress, development loans	68,285,947	356,925,370	288,639,423	201,818,146
Development loan funds	47,908,467	724,874,694	676,966,227	754,467,500
Foreign investment guarantee fund	10,064,919	240,277	-9,824,642	-7,778,494
Total--Funds appropriated to the President	438,144,645	1,183,859,365	745,714,720	1,025,217,813

See footnotes on page 11

TABLE IX--SUPPLEMENTARY TABLE OF RECEIPTS AND EXPENDITURES OF PUBLIC ENTERPRISE (REVOLVING) FUNDS--Continued

(Included in expenditures in Table III on a net basis)

Classification	Fiscal year 1966 to date			Corresponding fiscal year 1965 Net receipts (-) or expenditures
	Receipts	Expenditures	Net receipts (-) or expenditures	
Agriculture Department:				
Commodity Credit Corporation:				
Price support and related programs [10]	$3,933,065,403	$5,789,145,291	$1,856,079,888	$2,645,754,391
Special activities [11]	177,206,155	87,366,683	-89,839,471	-740,267,508
Federal Crop Insurance Corporation fund	28,906,963	39,304,846	10,397,883	903,258
Farmers Home Administration:				
Direct loan account	357,473,734	331,185,882	-26,287,852	67,971,406
Rural housing insurance fund	114,340,371	146,011,797	31,671,425	....
Emergency credit revolving fund	84,293,600	103,705,240	19,411,639	30,256,626
Agricultural credit insurance fund	371,691,662	459,804,576	88,112,914	9,000,489
Rural housing direct loan account	72,080,962	76,609,292	4,528,329	1,008,170
Total--Agriculture Department	5,139,058,853	7,033,133,610	1,894,074,757	2,014,626,834
Commerce Department:				
General Administration	4,000	9,979	5,979	-7,050
Economic development revolving fund	8,137,906	149,378	-7,988,528	-4,593,708
Maritime Administration	109,196,514	115,846,695	6,650,180	-2,365,099
Total--Commerce Department	117,338,421	116,006,053	-1,332,368	-6,965,859
Defense Department:				
Military:				
Defense production guarantees:				
Department of the Army	1,687,360	19,791	-1,667,569	-36,545
Department of the Navy	12,447,504	11,904,724	-542,780	-1,236,397
Department of the Air Force	3,378,143	5,755,205	2,377,061	-1,210,977
Defense agencies	....	....	....	389
Laundry service, Naval Academy	763,549	708,411	-55,138	-13,623
Civil defense procurement fund	6,850	6,503	-346	-7,520
Civil- Panama Canal Company	133,427,955	129,117,917	-4,310,038	3,099,660
Total--Defense Department	151,711,363	147,512,552	-4,198,811	594,984
Health, Education, and Welfare Department:				
Food and Drug Administration	3,036,089	2,797,333	-238,755	-199,094
Office of Education:				
Student loan insurance fund	....	....	....	....
Public Health Service:				
Operation of commissaries, narcotic hospitals	238,939	252,183	13,243	6,914
Social Security Administration:				
Operation fund, Bureau of Federal Credit Unions	5,069,466	5,025,821	-43,644	-175,398
Total--Health, Education, and Welfare Department	8,344,495	8,075,338	-269,156	-367,578
Housing and Urban Development Department:				
Office of the Secretary:				
College housing loans	101,775,694	414,134,776	312,359,081	220,743,636
Liquidating programs	4,014,409	123,300	-3,891,108	-985,142
Urban renewal programs	216,850,598	573,570,879	356,720,280	324,351,500
Rehabilitation loan fund	2,015	1,832,200	1,830,184	180,000
Urban mass transportation fund	289,618	18,949,385	18,659,766	11,068,235
Other	24,754,210	112,630,702	87,876,492	87,507,504
Federal National Mortgage Association:				
Loans to secondary market operations fund	1,698,110,000	1,698,110,000	....	-4,460,000
Purchase of preferred stock	....	91,820,304	91,820,304	-38,000,000
Management and liquidating functions	646,689,880	525,623,196	-121,066,683	-105,411,646
Special assistance functions	646,542,793	335,136,385	-311,406,408	-375,849,337
Participation sales fund [20]	207,851,486	78,732,708	[21] -129,118,778	-24,926,780
Federal Housing Administration:				
Federal Housing Administration fund	861,967,623	1,062,592,794	200,625,171	-115,350,402
Other [22]	4,580,378	674,219	-3,906,159	....
Public Housing Programs	213,982,639	450,728,394	236,745,755	230,116,306
Total--Housing and Urban Development Department	4,627,411,350	5,364,659,248	737,247,898	208,983,874
Interior Department:				
Public Land Management:				
Bureau of Indian Affairs	3,194,642	2,819,389	-375,252	178,019
Office of Territories	....	....	....	280,241
The Alaska Railroad	19,586,522	30,071,471	10,484,949	15,024,708
Mineral Resources:				
Bureau of Mines	30,726,473	50,029,224	19,302,751	20,424,617
Fish and Wildlife and Parks:				
Bureau of Commercial Fisheries	1,713,089	2,055,865	342,776	391,089
Water and Power Development:				
Bureau of Reclamation:				
Continuing fund for emergency expenses, Fort Peck project, Montana	5,570,555	1,155,893	-4,414,662	-2,332,079
Upper Colorado River Basin fund	16,112,922	70,689,498	54,576,576	60,312,375
Bonneville Power Administration	....	....	....	....
Southeastern Power Administration	....	....	....	....
Southwestern Power Administration	....	....	....	....
Virgin Islands Corporation	741,981	1,549,569	807,588	-2,073,584
Total--Interior Department	77,646,187	158,370,913	80,724,726	92,205,387

See footnotes on page 11

TABLE IX--SUPPLEMENTARY TABLE OF RECEIPTS AND EXPENDITURES OF PUBLIC ENTERPRISE (REVOLVING) FUNDS--Continued

(Included in expenditures in Table III on a net basis)

Classification	Fiscal year 1966 to date			Corresponding fiscal year 1965 Net receipts (-) or expenditures
	Receipts	Expenditures	Net receipts (-) or expenditures	
Labor Department:				
Manpower Administration:				
Advances to employment security administration account, unemployment trust fund	$212,462,822	$210,245,448	-$2,217,373	-$2,225,696
Farm labor supply revolving fund	80,401	26,356	-54,044	-357,611
Total--Labor Department	212,543,224	210,271,805	-2,271,418	-2,583,307
Post Office Department--Postal Fund	5,068,210,970	5,942,369,738	[4] 874,158,768	804,542,297
Treasury Department:				
Office of the Secretary	33,115	623	-32,491	-286,217
Bureau of Accounts	3,263	138,501	135,237	43,832
Office of the Treasurer	634,767	637,736	2,968	2,115
Total--Treasury Department	671,146	776,861	105,715	-240,269
General Services Administration:				
Defense materials activities	....	....	....	2,650
General activities	195,981	13,418	-182,563	-217,884
Total--General Services Administration	195,981	13,418	-182,563	-215,234
Veterans Administration:				
Direct loan revolving fund	878,910,775	219,877,839	-659,032,935	-129,834,133
Loan guaranty revolving fund	383,289,732	399,099,119	15,809,387	38,301,074
Other	210,856,352	163,892,970	-46,963,382	-29,094,860
Total--Veterans Administration	1,473,056,860	782,869,929	-690,186,930	-120,627,919
Other independent agencies:				
Export-Import Bank of Washington	1,531,779,792	1,146,756,412	-385,023,380	-357,231,296
Farm Credit Administration:				
Revolving fund for administrative expenses	2,453,063	2,984,203	531,139	96,754
Short-term credit investment fund	60,000	2,350,000	2,290,000	3,375,000
Banks for cooperatives investment fund	10,051,000	....	-10,051,000	-20,287,000
Federal Home Loan Bank Board:				
Federal Savings and Loan Insurance Corp. fund	314,161,584	58,738,275	-255,423,309	-204,698,272
Other	16,264,855	16,230,330	-34,525	133,655
Saint Lawrence Seaway Development Corporation	6,522,962	7,739,391	1,216,429	904,557
Small Business Administration	766,599,716	617,860,460	-148,739,255	236,220,555
Tennessee Valley Authority	346,789,011	400,665,305	53,876,293	47,937,189
United States Information Agency	2,575,230	2,575,151	-78	872,544
Total--Other independent agencies	2,997,257,219	2,255,899,530	-741,357,688	-292,674,313
Total--Public enterprise funds	20,311,590,719	23,203,818,367	2,892,227,648	3,722,496,709

TABLE X--SUPPLEMENTARY TABLE OF RECEIPTS AND EXPENDITURES OF TRUST ENTERPRISE (REVOLVING) FUNDS

(Included in expenditures in Table IV on a net basis)

Classification	Fiscal year 1966 to date			Corresponding fiscal year 1965 Net receipts (-) or expenditures
	Receipts	Expenditures	Net receipts (-) or expenditures	
Agriculture Department:				
Farmers Home Administration	$7,592,514	$9,050,181	$1,457,666	-$1,082,757
Defense Department - Civil:				
United States Soldiers' Home	132,903	128,032	-4,870	-1,638
Housing and Urban Development Department:				
Federal National Mortgage Association:				
Loans for secondary market operations and purchase of preferred stock	1,789,930,304	1,698,110,000	-91,820,304	42,460,000
Other secondary market operations	357,517,120	1,924,890,907	1,567,373,787	49,008,362
Justice Department:				
Alien property activities	2,786,034	155,599,091	152,813,057	-168,758,283
Federal Prison System commissary funds	2,720,005	2,659,520	-60,484	27,462
General Services Administration:				
Records activities: National Archives trust fund	661,768	472,876	-188,891	-3,545
Other independent agencies:				
Civil Service Commission:				
Employees health benefits fund	521,836,393	523,164,658	1,328,265	-9,277,515
Employees life insurance fund	191,585,127	174,246,984	-17,338,143	-26,361,034
Retired employees health benefits fund	25,568,035	25,846,490	278,454	-782,501
National Capital Housing Authority	9,939,232	10,648,788	709,556	587,568
Federal Communications Commission	369,888	343,306	-26,581	-116,407
Total--Trust enterprise funds	2,910,639,328	4,525,160,838	1,614,521,509	-114,300,291

See footnotes on page 11

(Figures are rounded in millions of dollars and may not add to totals)

TABLE XI--RESUME OF RECEIPTS BY SOURCES AND EXPENDITURES BY FUNCTIONS

Classification	Administrative Budget Funds				Trust Funds			
	This month	Same month last year	F. Y. 1966 to date	F. Y. 1965 to date	This month	Same month last year	F. Y. 1966 to date	F. Y. 1965 to date
NET RECEIPTS [30]								
Individual income taxes	$6,808	$5,062	$55,407	$48,792	......	....	....	....
Corporation income taxes	8,190	6,549	30,073	25,461	......	....	....	....
Employment taxes	....	....	....	....	$2,718	$1,405	$20,022	$16,905
Excise taxes	774	1,002	9,154	10,911	361	347	3,917	3,659
Unemployment tax deposits by States	....	....	....	....	27	41	3,067	3,052
Estate and gift taxes	220	217	3,062	2,716	......	....	....	....
Customs	170	142	1,767	1,442	......	....	....	....
Federal employees retirement	....	....	....	....	204	180	2,270	2,173
Interest on trust fund investments	....	....	....	....	1,168	1,080	1,894	1,759
Veterans life insurance premiums	....	....	....	....	43	38	514	488
Miscellaneous receipts	935	477	5,797	4,619	819	613	3,937	3,650
Interfund transactions (-)	-43	-45	-629	-870	-543	-485	-770	-638
Total net receipts	17,054	13,404	104,631	93,072	4,795	3,219	34,852	31,047
NET EXPENDITURES								
National defense	6,249	4,954	57,652	50,163	93	133	758	751
International affairs and finance	8	577	3,849	4,304	54	1	171	-160
Space research and technology	571	507	5,933	5,093	*	....	*	*
Agriculture and agricultural resources	-105	157	3,670	4,898	246	225	1,150	927
Natural resources	224	273	2,999	2,750	14	16	144	134
Commerce and transportation	-78	360	2,974	3,499	361	358	3,752	3,864
Housing and community development	-148	-181	278	-104	129	313	3,199	1,136
Health, labor, and welfare	738	601	7,660	5,898	2,653	2,402	26,383	23,186
Education	364	183	2,829	1,544	*	*	2	2
Veterans benefits and services	358	468	5,086	5,495	59	34	569	624
Interest	1,099	995	12,151	11,435	......	....	....	....
General government	141	219	2,464	2,402	2	2	24	21
Deposit funds (net)	....	....	....	....	387	599	-595	-210
Interfund transactions (-)	-43	-45	-629	-870	-543	-485	-770	-638
Total net expenditures	9,378	9,070	106,917	96,507	3,455	3,599	34,788	29,637

TABLE XII--SUMMARY OF FEDERAL GOVERNMENT CASH TRANSACTIONS WITH THE PUBLIC

Classification	This month	Corresponding month last year	Fiscal Year 1966 to date	Corresponding period fiscal year 1965
Federal receipts from the public:				
Administrative budget receipts (net) - see Table III	$17,054	$13,404	$104,631	$93,072
Trust receipts (net)-see Table IV	4,795	3,219	34,852	31,047
Intragovernmental and other non-cash transactions - see receipt adjustments Table XIII	-1,556	-1,289	-5,100	-4,420
Total Federal receipts from the public	20,294	15,334	134,382	119,699
Federal payments to the public:				
Administrative budget expenditures (net) - see Table III.	9,378	9,070	106,917	96,507
Trust expenditures (net) - see Table IV	3,455	3,599	34,788	29,637
Intragovernmental and other non-cash transactions - see payment adjustments Table XIII.	-1,006	-1,098	-4,114	-3,749
Total Federal payments to the public	11,827	11,571	137,592	122,395
Excess of cash receipts from or payments to (-) the public	8,466	3,763	-3,210	-2,696
Cash borrowing from the public or repayment (-):				
Public debt increase or decrease (-) see Table VII	-2,452	-1,944	2,633	5,561
Net sales of Government agency securities in market (net) - see Table VI	814	378	4,078	1,372
Net investment (-) in public debt and agency securities see Table V	-2,327	-615	-3,571	-2,356
Other non-cash transactions - see borrowing adjustments Table XIII	45	17	-530	-250
Total net cash borrowing from the public or repayment (-)	-3,921	-2,163	2,610	4,328
Seigniorage	144	14	649	117
Total cash transactions with the public	4,689	1,614	50	1,749
Cash balances - net increase or decrease (-):				
Treasurer's account	4,330	1,795	-203	1,575
Cash held outside Treasury	359	-181	253	174
Total changes in the cash balances	4,689	1,614	50	1,749

*Less than $500,000

See footnotes on page 14

(Figures are rounded in millions of dollars and may not add to totals)

TABLE XIII--INTRAGOVERNMENTAL AND OTHER NON-CASH TRANSACTIONS

(Showing details of amounts included as adjustments in Table XII)

Classification	This month	Corresponding month last year	Fiscal Year 1966 to date	Corresponding period fiscal year 1965
Adjustments applicable to receipts:				
Intragovernmental transactions:				
Interest on trust fund investments	$1,168	$1,080	$1,894	$1,
Civil Service retirement - payroll deductions for employees	101	89	1,088	1,
Civil Service retirement - employers' share	101	89	1,089	1,
Other	44	17	381	
Subtotal	1,413	1,275	4,451	4,
Excess profits tax refund bonds	*	*	*	
Seigniorage	144	14	649	
Total receipt adjustments	1,556	1,289	5,100	4,
Adjustments applicable to payments:				
Intragovernmental transactions (see detail under receipt adjustments)	1,413	1,275	4,451	4,
Applicable also to net borrowings:				
Savings and retirement bond increment	68	65	571	
Discount on securities	-96	-59	225	
International Monetary Fund notes	-13	....	-133	-
Other special security issues	-4	-23	-132	
Subtotal	-45	-17	531	
Accrued interest on public debt	-679	-619	-47	
Checks outstanding and other accounts	317	458	-821	-
Total payment adjustments	1,006	1,098	4,114	3,
Adjustments applicable to net borrowings:				
Debt issuance representing:				
Receipts - excess profits tax refund bonds	*	*	*	
Payments - (see detail under payment adjustments)	-45	-17	531	
Total borrowing adjustments (net)	-45	-17	530	

TABLE XIV--COMPARATIVE STATEMENT OF ADMINISTRATIVE BUDGET RECEIPTS AND EXPENDITURES BY MONTHS OF THE FISCAL YEAR 1966

Classification	July	August	September	October	November	December	January	February	March	April	May	June	Cumulative thru June	Comparable period F. Y. 1965	Estimates (net) F. Y. 1966
RECEIPTS															
Internal Revenue:															
Individual income taxes withheld	$1,299	$5,377	$2,995	$1,263	$5,793	$3,237	$1,412	$5,948	$3,440	$1,082	$6,238	$4,683	$42,769	$36,840	$40,8
Individual income taxes--other	362	164	2,427	244	141	468	2,727	1,038	936	6,259	1,151	2,569	18,486	16,820	16,3
Corporation income taxes	727	482	4,236	625	507	4,315	682	573	7,244	2,440	751	8,252	30,835	26,131	30,4
Excise taxes	1,221	1,305	1,162	983	1,155	1,220	1,007	1,038	1,133	921	1,104	1,158	13,407	14,793	13,2
Employment taxes	629	2,501	1,120	461	1,508	803	423	3,117	2,040	1,320	3,615	2,719	20,256	17,104	19,0
Estate and gift taxes	232	212	193	213	185	238	292	207	272	491	328	224	3,089	2,746	2,9
Customs	137	145	159	153	164	140	136	129	168	151	158	172	1,811	1,478	1,6
Miscellaneous receipts	462	401	348	384	766	386	456	381	467	408	401	935	5,797	4,622	5,7
Gross receipts	5,070	10,586	12,640	4,327	10,220	10,807	7,137	12,432	15,701	13,072	13,746	20,712	136,451	120,535	130,2
Deduct:															
Refunds of receipts:															
Applicable to budget accounts	222	222	185	205	32	105	-121	616	2,057	1,525	1,316	535	6,899	5,707	6,5
Applicable to trust accounts	1	3	*	*	86	*	228	28	*	1	5	1	354	323	3
Transfers to trust accounts	961	2,918	1,454	774	1,775	1,117	504	3,437	2,342	1,605	3,972	3,079	23,939	20,563	22,6
Interfund transactions	79	92	1	53	223	31	73	16	5	13	1	43	629	870	6
Total deductions	1,263	3,236	1,641	1,032	2,114	1,254	684	4,097	4,404	3,144	5,294	3,657	31,820	27,463	30,2
Net receipts F. Y. 1966	3,807	7,350	10,999	3,295	8,106	9,553	6,453	8,335	11,297	9,929	8,452	17,054	104,631	93,072	100,0
Comparable totals F. Y. 1965	3,487	6,653	10,072	3,398	7,037	8,856	5,642	7,518	11,188	8,549	7,268	13,404	93,072	....	

*Less than $500,000
See footnotes on page 11

TABLE XIV.--COMPARATIVE STATEMENT OF ADMINISTRATIVE BUDGET RECEIPTS AND EXPENDITURES BY MONTHS OF THE FISCAL YEAR 1966--Continued

(Figures are rounded in millions of dollars and may not add to totals.)

Classification	July	August	September	October	November	December	January	February	March	April	May	June	Cumulative thru June	Comparable period F. Y. 1965	Estimates (net) F. Y. 1966[3]
EXPENDITURES															
Legislative Branch	$18	$8	$15	$23	$16	$14	$18	$10	$12	$18	$16	$13	$181	$165	$191
The Judiciary	6	6	6	8	6	7	6	6	6	8	7	7	79	74	82
Executive Office of the President	2	2	2	2	2	3	2	2	3	2	2	2	26	24	29
Funds appropriated to the President:															
Military assistance	26	30	54	43	116	117	-8	99	151	45	114	157	945	1,229	1,275
Economic assistance	186	161	134	206	167	189	187	161	197	167	178	198	2,131	2,041	2,100
Other	103	156	84	60	68	61	77	99	96	67	75	257	1,201	1,037	1,493
Agriculture Department:															
Commodity Credit Corp.	295	799	540	328	356	141	159	-159	2	-500	-67	-127	1,766	1,905	2,456
Foreign assistance and special export programs	.....	90	125	125	9	247	127	190	134	150	162	129	1,488	2,492	1,686
Other	226	223	174	195	391	215	274	303	281	198	161	90	2,732	2,900	2,747
Commerce Department	67	50	49	76	121	57	62	73	-24	72	65	75	745	758	808
Defense Department:															
Military:															
Department of the Army	819	959	1,040	1,154	1,182	1,235	1,232	1,100	1,384	1,301	1,381	2,227	15,013	11,807	14,024
Department of the Navy	957	1.159	1,303	1.291	1,324	1,391	1,335	1,289	1,567	1,484	1,469	1,567	16,137	13,553	15,461
Department of the Air Force	1,504	1,606	1,736	1,605	1,509	1,918	1.554	1,526	1,971	1,679	1,485	2,265	20,359	18,471	19,768
Defense agencies	144	178	185	165	209	209	317	256	267	234	254	350	2,768	2,249	3,572
Undistributed stock fund trans.	171	223	31	30	-23	31	-37	21	47	62	-37	-519	....	....	....
Civil defense	6	7	5	7	8	6	10	6	10	6	7	9	86	93	100
Total Military	3,601	4,131	4,300	4,252	4,210	4,789	4,411	4,198	5,246	4,766	4,559	5,899	54,363	46,173	52,925
Civil	96	121	125	131	134	129	115	79	102	99	110	66	1,309	1,234	1,314
Health, Education, and Welfare Dept.	541	402	787	541	467	600	662	613	918	752	744	626	7,652	5,740	7,662
Housing and Urban Dev. Dept.:															
Federal National Mortgage Assn.	-252	-4	87	-33	56	115	-227	175	23	-131	-173	-106	-470	-549	-701
Other	149	69	71	39	88	117	134	116	143	73	108	134	1,242	798	1,138
Interior Department	138	128	113	112	104	136	94	104	87	87	101	121	1,325	1,205	1,242
Justice Department	37	28	29	29	30	39	30	29	27	31	31	30	371	358	384
Labor Department	33	63	84	70	79	67	51	-168	68	43	64	44	500	480	522
Post Office Department	43	79	84	23	31	84	144	110	93	43	78	63	874	805	878
State Department	49	22	53	49	40	33	13	32	32	29	24	26	401	383	407
Treasury Department:															
Interest on the public debt	1,000	966	966	962	963	1,005	1,035	976	1,035	1,013	1,025	1,088	12,034	11,346	12,000
Interest on refunds, etc.	10	13	17	9	9	8	9	11	9	6	6	11	118	89	104
Other	104	102	97	106	158	101	114	98	110	113	136	88	1,326	1,295	1,326
Atomic Energy Commission	207	210	177	186	205	185	192	186	197	193	241	225	2,404	2,625	2,390
Federal Aviation Agency	57	55	66	61	74	73	71	66	62	64	85	70	804	795	800
General Services Administration	60	65	58	55	44	60	37	57	64	51	48	6	607	624	600
National Aeronautics and Space Adm.	427	482	489	449	470	521	477	456	519	502	569	571	5,933	5,093	5,600
Veterans Administration	208	482	473	484	525	206	528	512	524	287	484	357	5,069	5,488	5,177
Other independent agencies:															
Export-Import Bank of Washington	-227	31	-3	51	271	12	-22	-343	12	124	76	-309	-385	-357	-532
Small Business Administration	20	30	27	70	47	41	26	15	6	-61	-26	-337	-142	243	-45
Tennessee Valley Authority	2	4	4	5	5	6	4	-2	3	3	4	17	54	48	57
Other	65	64	165	98	61	60	80	59	62	67	45	-34	792	774	821
District of Columbia	22	12	1	-12	2	19	.....	9	*	-8	1	24	71	61	65
Allowances, undistributed	.....	....	.....	....	....	....	.....	.....	.....	.....	.....	......	....	....	75
Interfund transactions (-)	-79	-92	-1	-53	-223	-31	-73	-16	-5	-13	-1	-43	-629	-870	-647
Net expenditures F.Y. 1966	7,240	8,990	9,452	8,750	9,105	9,426	8,809	8,156	10,193	8,362	9,055	9,378	106,917	96,507	106,428
Comparable totals F.Y. 1965	7,410	8,083	8,450	8,329	7,051	8,770	7,676	7,146	8,139	8,268	8,116	9,070	96,507	....	
Surplus (+) or deficit (-) F.Y. 1966	-3,434	-1,640	+1,548	-5,455	-999	+126	-2,356	+179	+1,104	+1,567	-603	+7,676	-2,286	-3,435	-6,428
Comparable results F.Y. 1965	-3,923	-1,430	-1,622	-4,930	-15	+86	-2,033	+372	+3,049	+280	-848	+4,335	-3,435	....	

*Less than $500, 000

[3] See footnotes on page 11

TABLE XV--COMPARATIVE STATEMENT OF TRUST FUND RECEIPTS AND EXPENDITURES BY MONTHS OF THE FISCAL YEAR 1966

(Figures are rounded in millions of dollars and may not add to totals.)

Classification	July	August	September	October	November	December	January	February	March	April	May	June	Cumulative thru June	Comparable period F. Y. 1965	Esti mate (net F. Y 196
RECEIPTS															
Highway trust fund	$333	$419	$335	$314	$327	$325	$309	$321	$232	$286	$360	$362	$3,925	$3,670	$3,
Federal old-age and survivors insurance trust fund	581	2,672	965	448	1,627	919	105	2,441	1,664	1,177	3,470	2,391	18,461	16,417	17,
Federal disability insurance trust fund	43	174	103	33	112	76	9	225	166	106	307	262	1,616	1,241	1,
Federal hospital insurance trust fund	.....	.....	......	.....	.....	.....	......	161	151	51	299	253	916	....	
Federal supplementary medical insurance trust fund	.....	.....	......	.....	.....	.....	......	......	......	......	.....	.....	....	....	.....
Unemployment trust fund	96	904	84	157	525	199	179	597	73	195	946	172	4,126	4,132	3,
Government life insurance fund	2	1	1	1	1	2	2	1	1	1	1	33	48	48	
National service life insurance fund	46	39	39	43	39	41	49	37	48	42	41	232	696	662	
Civil Service Commission	188	200	242	167	184	181	209	192	205	179	184	693	2,823	2,664	2,
Railroad Retirement Board	11	112	96	14	99	76	14	102	86	23	114	664	1,411	1,342	1,
Funds appropriated to the President	62	3	51	45	36	80	44	47	83	93	34	133	710	826	
Agriculture Department	4	6	4	6	8	4	5	6	3	3	6	5	58	58	
Interior Department:															
Indian tribal funds	3	3	4	4	3	4	4	2	3	1	4	3	39	59	1
Other	2	5	1	1	23	1	1	6	1	1	4	2	48	79	......
Treasury Department	2	2	2	2	2	2	4	2	2	2	3	3	29	24	
District of Columbia	38	33	46	30	25	41	19	39	45	38	37	45	436	389	4
All other	11	102	5	4	8	14	6	8	7	22	6	85	281	75	
Interfund transactions (-)	-4	-102	-24	-7	-7	-30	-8	-8	-26	-7	-5	-543	-770	-638	-
Net trust receipts F.Y. 1966	1,417	4,572	1,954	1,262	3,012	1,935	951	4,181	2,745	2,215	5,812	4,795	34,852	31,047	33,
Comparable totals F.Y. 1965	1,532	4,171	1,994	1,224	2,928	1,966	1,007	3,746	2,175	2,201	4,885	3,219	31,047	....	
EXPENDITURES															
Highway trust fund	337	331	469	399	422	372	273	264	246	232	260	361	3,966	4,026	3,
Federal old-age and survivors insurance trust fund	1,324	1,319	2,114	1,468	1,496	1,436	1,506	1,542	1,545	1,552	1,599	1,869	18,769	15,962	18,
Federal disability insurance trust fund	122	121	191	138	140	229	141	146	147	146	147	267	1,935	1,498	1,
Federal hospital insurance trust fund	.....	.....	......	.....	......	......	......	1	*	*	*	63	64	....	
Federal supplementary medical insurance trust fund	.....	.....	......	.....	......	......	......	......	......	......	.....	.....	....	....	.....
Unemployment trust fund	158	208	204	167	265	236	247	268	351	165	220	200	2,688	3,130	2,
Government life insurance fund	6	4	5	4	5	5	7	5	7	7	7	8	69	71	
National service life insurance fund	34	29	31	30	30	35	50	41	60	50	46	50	488	545	4
Civil Service Commission	117	124	100	134	135	130	136	150	149	154	189	152	1,670	1,402	1,6
Railroad Retirement Board	97	100	107	103	106	99	108	107	103	107	106	102	1,246	1,185	1,2
Funds appropriated to the President	28	17	77	62	27	41	80	49	70	81	118	104	753	747	8
Agriculture Department	4	4	5	4	6	5	3	4	4	4	7	6	55	52	
Housing and Urban Dev. Dept.:															
Loans for secondary market operations and purchase of preferred stock	-3	-21	-104	31	-44	-194	248	-177	-25	3	184	10	-92	42	-
Other secondary market operations	18	24	54	57	117	161	210	233	277	169	141	106	1,567	49	1,4
Interior Department:															
Indian tribal funds	3	9	8	4	5	13	4	7	7	6	11	8	84	74	
Other	1	1	2	1	1	1	1	1	1	1	2	1	13	11	
Treasury Department	2	2	2	2	2	2	2	2	2	3	2	2	27	23	
District of Columbia	38	32	27	34	29	43	36	33	40	33	38	44	428	385	4
Deposit fund accounts	-378	-99	-104	-155	125	-146	-14	-25	76	-388	127	387	-595	-210	-1
Government-sponsored enterprises	503	146	-33	-35	-159	193	11	-29	-26	994	412	210	2,186	1,379	4
All other	11	101	11	6	7	6	6	7	-11	22	20	49	235	-95	2
Interfund transactions (-)	-4	-102	-24	-7	-7	-30	-8	-8	-26	-7	-5	-543	-770	-638	-7
Net trust expenditures F.Y. 1966	2,418	2,349	3,142	2,447	2,707	2,636	3,048	2,621	2,996	3,335	3,632	3,455	34,788	29,637	33,7
Comparable totals F.Y. 1965	2,713	2,602	1,966	2,286	2,191	2,565	2,197	2,183	2,064	2,949	2,323	3,599	29,637	....	
Excess of trust receipts or expenditures (-)F.Y. 1966	-1,001	+2,223	-1,189	-1,186	+305	-701	-2,097	+1,560	-251	-1,120	+2,180	+1,340	+63	+1,410	-2
Comparable results F.Y. 1965	-1,181	+1,570	+28	-1,062	+737	-599	-1,191	+1,563	+110	-748	+2,562	-380	+1,410	....	

*Less than $500,000
See footnotes on page 11

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 23, 1966

ADVANCE FOR USE IN SUNDAY NEWSPAPERS
OF JULY 24, 1966

TREASURY SECRETARY FOWLER
ATTENDS MEETING ON INTERNATIONAL LIQUIDITY
AT THE HAGUE

Secretary of the Treasury Henry H. Fowler left today for a meeting on international monetary arrangements with financial officers of ten major industrial nations at The Hague July 25 and 26.

He is scheduled to return to Washington Thursday, July 28, following visits to London and Paris after The Hague meeting.

The Hague meeting brings together the finance ministers and central bank governors of the Group of Ten countries: Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, United Kingdom, and the United States. The Managing Director of the International Monetary Fund, Mr. Pierre-Paul Schweitzer, will take part in the meeting which is also expected to be attended by the Secretary General of the OECD, the General Manager of the Bank for International Settlements and the President of the Swiss National Bank.

The meeting will consider a report resulting from negotiations during the past year by the Deputies of the ministers and governors. These negotiations were inaugurated by the Group of Ten nations last September during the course of the annual meeting of the International Monetary Fund, in Washington. They followed upon suggestions made in July 1965 by Secretary Fowler, that these major industrial nations undertake the first stage of planning the means for creating and putting into world use new forms of international reserve assets as supplements to world reserves, presently held in the forms of gold, dollars and other foreign currency.

While at The Hague, Secretary Fowler hopes to pay a call on The Netherlands Finance Minister Anne Vondeling and will have an opportunity to exchange views with other Group of Ten principals. He has scheduled a meeting at The Hague with the Vice Minister of Finance of Japan, Ichiro Sato.

Secretary Fowler will take advantage of his presence in Europe to pay calls upon the British Chancellor of the Exchequer and the French Minister of Finance and Economic Affairs. In both cases he will be discussing matters of common interest and following up the work of The Hague meeting.

Mr. Fowler will go to London on Wednesday, July 27, for talks with Chancellor of the Exchequer James Callaghan during the afternoon.

Secretary Fowler will fly to Paris Thursday morning, July 28 for a meeting with French Finance Minister Michel Debre before noon.

Mr. Fowler will leave Orly Field, Paris Thursday afternoon for Washington.

Mr. Fowler will be accompanied on the trip by the Under Secretary of the Treasury for Monetary Affairs, Frederick L. Deming, James F. King, Assistant to the Secretary for Public Affairs, George H. Willis, Deputy to the Assistant Secretary for International Monetary Affairs, and Mrs. Mary E. Harris, Confidential Assistant to the Secretary.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 23, 1966

ADVANCE FOR USE AFTER 3:30 A.M. EDT (0730 HOURS GMT)
MONDAY, JULY 25, 1966

STATEMENT BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
OF THE UNITED STATES
UPON ARRIVAL AT THE HAGUE
FOR A MEETING OF THE MINISTERS
OF THE GROUP OF TEN NATIONS
JULY 25 AND 26, 1966

It is good to be back again in the Netherlands.

I was last here just under a year ago in the course of talks with the financial authorities of the Netherlands and of the other European Group of Ten countries. In the meeting opening here today we reap the benefits of a year's hard and fruitful work in the modernization of our international monetary system. This opens the way to a second and broader stage of that same work.

As I look back at the events, the developments and the work of the past year affecting our international monetary system, I am more than ever glad that President Johnson authorized me to suggest consultation with our friends abroad on what steps we might jointly take to secure substantial improvements in present international monetary arrangements.

In particular, I have in mind the fact that as time has passed it is becoming increasingly clear that contingency planning is needed. I think there is no longer any question whether new means to create reserves are needed: the main question is when the need will become pressing.

For one thing, the United States is making progress in the task of bringing its international accounts into equilibrium. We cut our deficit in half in 1965. This year, we are holding our own despite the special and short term foreign exchange costs to us of our defense of freedom in Vietnam.

New supplies of gold reaching official quarters have supplied no more than about one quarter of reserve growth in the past 15 years. Dollar outflows, reflecting U. S. payments deficits, have contributed far more to reserve growth in other countries. Consequently, unless some supplement, or supplements, to gold and dollars can be found that we all agree to accept and hold in our national reserves, s shortage of reserves will be created that will be felt around the world.

I said when I suggested this course of action last year that the United States was not wedded to any particular procedure or timetable. But I emphasized that the United States considers agreement on means to strengthen and improve existing international monetary arrangements to be a matter calling for all of us to move ahead -- carefully and deliberately, but without delay.

Since then, I am very glad to say, we _have_ moved ahead, carefully, deliberately and without delay. At the time of the meeting of the International Monetary Fund last September, the Group of Ten Ministers gave their Deputies a dual assignment, to be approached in two stages of work.

The first was to report to the Ministers by the Spring of this year on what basis of agreement could be reached among the Group of Ten countries on improvements in the international monetary system. This was to include a report on what scope of agreement was reached on basic points concerning creation of new international reserves.

We now have the Deputies' findings, and we are meeting here to review and assess them. I am confident that continued progress will be found possible.

Our charge to our Deputies last September stated that as soon as a basis for agreement on essential points has been reached, it will be necessary to proceed from this first phase to a broader consideration of the questions that affect the world economy as a whole.

This second phase should be designed to deal with unsolved questions of procedure in the Group of Ten and to assure that the basic interests of all member countries of the International Monetary Fund in new arrangements for the future of the world monetary system will be adequately considered and represented before significant intergovernmental agreements for formal structural improvements of the monetary system are concluded.

I have come to this meeting with the view that we now have the basis for moving onward to this second stage of our work. I think this will permit us to advance in the coming year to specific agreement upon ways and means of assuring that future reserve needs of the world, both within and beyond the Group of Ten countries, will be provided for adequately.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE 6:30 P.M.,
Monday, July 25, 1966.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated April 28, 1966, and the other series to be dated July 28, 1966, which were offered on July 20, 1966, were opened at the Federal Reserve Banks today. Tenders were invited for $1,300,000,000, or thereabouts, of 91-day bills and for $1,000,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing October 27, 1966		:	182-day Treasury bills maturing January 26, 1967	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	98.790	4.787%	:	97.528	4.890%
Low	98.779	4.830%	:	97.508	4.929%
Average	98.782	4.818% 1/	:	97.513	4.919% 1/

73% of the amount of 91-day bills bid for at the low price was accepted
31% 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	$ 30,199,000	$ 17,817,000	:	$ 5,073,000	$ 5,073,000
New York	1,801,347,000	960,189,000	:	1,323,891,000	691,356,000
Philadelphia	32,519,000	15,519,000	:	19,554,000	5,244,000
Cleveland	31,900,000	28,060,000	:	49,513,000	23,933,000
Richmond	13,990,000	13,475,000	:	10,361,000	6,740,000
Atlanta	53,662,000	26,779,000	:	39,413,000	8,533,000
Chicago	215,021,000	130,780,000	:	218,373,000	103,792,000
St. Louis	51,090,000	32,809,000	:	36,763,000	23,335,000
Minneapolis	15,834,000	9,164,000	:	10,463,000	5,618,000
Kansas City	31,690,000	28,247,000	:	19,168,000	16,431,000
Dallas	21,462,000	13,111,000	:	12,315,000	9,591,000
San Francisco	170,517,000	24,587,000	:	164,823,000	102,099,000
TOTALS	$2,469,231,000	$1,300,537,000 a/		$1,909,710,000	$1,001,745,000 b/

a/ Includes $251,882,000 noncompetitive tenders accepted at the average price of 98.782
b/ Includes $125,821,000 noncompetitive tenders accepted at the average price of 97.513
1/ These rates are on a bank discount basis. The equivalent coupon issue yields are 4.95% for the 91-day bills, and 5.11% for the 182-day bills.

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE 6:30 P.M.,
Tuesday, July 26, 1966.

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

The Treasury Department announced that the tenders for $1,000,000,000, or thereabouts, of 365-day Treasury bills to be dated July 31, 1966, and to mature July 31, 1967, which were offered on July 20, were opened at the Federal Reserve Banks today.

The details of this issue are as follows:

Total applied for - $1,874,201,000
Total accepted - 1,000,098,000 (includes $40,125,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids: (Excepting two tenders totaling $500,000)

High	- 94.991	Equivalent	rate	of	discount	approx.	4.940%	per	annum
Low	- 94.943	"	"	"	"	"	4.988%	"	"
Average	- 94.967	"	"	"	"	"	4.964%	"	" 1/

(13% of the amount bid for at the low price was accepted)

Federal Reserve District		Total Applied For	Total Accepted
Boston		$ 40,807,000	$ 20,807,000
New York		1,376,680,000	781,480,000
Philadelphia		12,028,000	2,028,000
Cleveland		18,409,000	2,409,000
Richmond		13,264,000	1,264,000
Atlanta		46,279,000	8,279,000
Chicago		193,088,000	86,085,000
St. Louis		18,080,000	8,280,000
Minneapolis		7,826,000	1,926,000
Kansas City		3,301,000	3,301,000
Dallas		17,632,000	7,632,000
San Francisco		126,807,000	76,607,000
	TOTAL	$1,874,201,000	$1,000,098,000

1/ This rate is on a bank discount basis. The equivalent coupon issue yield is 5.23%.

STATEMENT OF ROBERT A. WALLACE
ASSISTANT SECRETARY OF THE TREASURY
BEFORE THE HOUSE COMMITTEE ON
BANKING AND CURRENCY

JULY 27, 1966
10:00 A.M.

MR. CHAIRMAN, I AM ROBERT A. WALLACE. I AM PLEASED TO REPRESENT SECRETARY FOWLER AND THE TREASURY DEPARTMENT BEFORE THIS COMMITTEE WHICH NOW HAS FOR CONSIDERATION H.R. 13150, A BILL "AUTHORIZING THE SALE OF STANDARD SILVER DOLLARS HELD BY THE TREASURY."

BEFORE GIVING THE TREASURY'S VIEWS ON THIS PROPOSED LEGISLATION, MR. CHAIRMAN, WITH YOUR PERMISSION I WOULD LIKE TO OFFER SOME BACKGROUND MATERIAL FOR THE RECORD. THE FIRST DOCUMENT IS A TREASURY DEPARTMENT RELEASE ON THE "HISTORY OF THE SILVER DOLLAR" WHICH TAKES US TO MARCH 25, 1964, WHEN THE TREASURY STOPPED PAYING OUT SILVER DOLLARS. THE SECOND DOCUMENT IS A TREASURY DEPARTMENT PRESS RELEASE OF MARCH 25, 1964 WHICH EXPLAINS WHY SECRETARY DILLON "FROZE" THE APPROXIMATELY THREE MILLION SILVER DOLLARS HELD IN MAIN TREASURY VAULTS HERE IN WASHINGTON.

THE THIRD DOCUMENT I WOULD LIKE TO OFFER FOR THE RECORD IS TITLED, "INVENTORY OF SILVER DOLLARS IN THE TREASURY." WITH YOUR PERMISSION, SIR, I WOULD LIKE TO READ A FEW EXCERPTS FROM THIS DOCUMENT:

"IN MAY, 1963, THE TREASURY ASKED GENERAL ACCOUNTING OFFICE AUDITORS TO JOIN WITH THE TREASURY AUDITORS IN INSPECTING ALL FUTURE REMOVALS OF SILVER DOLLARS FROM THIS TREASURY. THIS STEP, WHICH WAS PUT INTO EFFECT IMMEDIATELY, WAS TAKEN BECAUSE IT WAS BELIEVED THAT SOME OF THE VAULTS, WHICH HAD BEEN UNDER JOINT SEAL OF TREASURY AUDITORS FOR MANY YEARS, CONTAINED SOME DOLLARS HAVING HIGH NUMISMATIC VALUE.

"ON APRIL 15, 1964, SEVERAL WEEKS AFTER THE SECRETARY OF THE TREASURY HAD SUSPENDED THE EXCHANGE OF SILVER DOLLARS FOR SILVER CERTIFICATES, THE INTERNAL AUDIT STAFF OF THE OFFICE OF THE TREASURER OF THE UNITED STATES, TOGETHER WITH REPRESENTATIVES OF THE CASH DIVISION OF THAT OFFICE, BEGAN AN EXAMINATION OF THE SILVER DOLLARS IN THE TREASURY UNDER THE OBSERVATION OF AUDITORS OF THE GENERAL ACCOUNTING OFFICE."

THIS JOINT EXAMINATION TOOK PLACE OVER A PERIOD OF SOME MONTHS, THE FIRST LOT OF THE SILVER DOLLARS BEING PLACED UNDER SEAL ON AUGUST 24, 1964, AND THE BALANCE ON SEPTEMBER 18, 1964. THE RESULTS OF THE EXAMINATION ARE GIVEN IN DETAIL, IN THE DOCUMENT I HAVE OFFERED FOR THE RECORD.

THE LEGISLATION PROPOSED BY H. R. 13150 WOULD AUTHORIZE AND DIRECT THE SECRETARY OF THE TREASURY TO SELL AT FACE VALUE TO THE AMERICAN CANCER SOCIETY AND THE AMERICAN HEART ASSOCIATION, INC., THE STANDARD SILVER DOLLARS HELD IN THE TREASURY IN SUCH QUANTITIES AT ANY ONE SALE AS THE PURCHASER OR ITS ASSIGNEE IS PREPARED TO MOVE FROM THE TREASURY STORAGE. IT WOULD LIMIT THE AMOUNT THAT COULD BE SOLD TO EITHER PURCHASER TO ONE-HALF THE TOTAL OF THE SILVER DOLLARS NOW HELD AND WOULD PROVIDE THAT THE ENTIRE COST OF MOVING, SHIPMENT, PROTECTION, AND INSURANCE BE BORNE BY THE PURCHASER OR ITS ASSIGNEE.

THE TREASURY DEPARTMENT DISCONTINUED THE ISSUANCE OF SILVER DOLLARS ON MARCH 25, 1964 WHEN THE SECRETARY EXERCISED THE OPTION GIVEN TO HIM BY P.L. 88-36 TO REDEEM SILVER CERTIFICATES WITH SILVER BULLION INSTEAD OF SILVER DOLLARS. THE REASON FOR DOING SO WAS THAT MANY OF THE THREE MILLION SILVER DOLLARS REMAINING IN THE TREASURY HAD A HIGH NUMISMATIC VALUE AND COULD NOT BE DISTRIBUTED EQUITABLY. THE PROPOSED LEGISLATION WOULD PROVIDE

THAT TWO ORGANIZATIONS WOULD BE ENTITLED TO PURCHASE AT FACE VALUE THE ENTIRE THREE MILLION SILVER DOLLARS.

THE TREASURY DEPARTMENT WOULD BE OPPOSED TO THE ENACTMENT OF THE PROPOSED LEGISLATION. THIS OPPOSITION IS NOT BASED IN ANY WAY UPON A LACK OF APPRECIATION OF THE OUTSTANDING WORK DONE BY THE AMERICAN CANCER SOCIETY AND THE AMERICAN HEART ASSOCIATION. HOWEVER, THE TREASURY DEPARTMENT BELIEVES THAT THE SALE OF THE SILVER DOLLARS AT FACE VALUE TO THESE TWO ORGANIZATIONS WOULD DISCRIMINATE AGAINST OTHER ORGANIZATIONS WHOSE ACTIVITIES ARE ALSO DESERVING OF SUPPORT SINCE THE COINS COULD BE RESOLD AT A SUBSTANTIAL PROFIT BECAUSE OF THEIR NUMISMATIC VALUE. FURTHERMORE, THE DEPARTMENT BELIEVES THAT IF ANY PROFIT IS TO BE DERIVED FROM THE SALE OF THESE COINS IT SHOULD INURE TO THE BENEFIT OF THE GENERAL PUBLIC. IN THE FINAL ANALYSIS, THESE ARE OWNED BY ALL THE PEOPLE OF THE UNITED STATES. IT IS FOR THIS REASON WE BELIEVE THAT AS THE CUSTODIAN OF THESE COINS, IF ANY PROFIT IS TO BE MADE ON THEIR SALE, THIS MONEY SHOULD GO INTO THE GENERAL FUND OF THE TREASURY.

IT IS NOT LIKELY THAT THERE IS ANY METHOD OF DISPOSITION OF THESE DOLLARS THAT WOULD BE FULLY ACCEPTABLE BY ALL SEGMENTS OF THE PUBLIC. FOR THIS REASON IT SEEMS THAT THIS WOULD BE AN APPROPRIATE ISSUE TO SUBMIT FOR RECOMMENDATION TO THE JOINT COMMISSION ON THE COINAGE. THIS COMMISSION WAS AUTHORIZED BY THE COINAGE ACT OF 1965 FOR THE PURPOSE OF STUDYING VARIOUS COINAGE AND SILVER PROBLEMS AFTER THE COMPLETION OF THE TRANSITION TO THE NEW COINAGE. WE HAVE MADE RAPID STRIDES TOWARD THE COMPLETION OF THIS TRANSITION AND I WOULD EXPECT THAT THE COMMISSION COULD BE CONVENED LATE THIS YEAR OR EARLY NEXT YEAR. WHEN THE COMMISSION HAS COMPLETED ITS STUDY

AND MADE ITS RECOMMENDATIONS TO THE TREASURY DEPARTMENT ON THIS MATTER, IT SHOULD BE POSSIBLE TO MOVE VERY QUICKLY WITH THE PLAN FOR THE DISPOSTION OF THE SILVER DOLLARS.

MR. CHAIRMAN, GOING BEYOND THE FORMAL REPORT WHICH PRESENTS THE TREASURY'S VIEWS ON H. R. 13150, I WOULD LIKE TO MAKE THIS FURTHER COMMENT. WE HAVE MADE TREMENDOUS STRIDES IN PRODUCING ENOUGH COINS TO END SHORTAGES. WE HAVE 3-1/2 BILLION PIECES IN THE MINT AND FEDERAL RESERVE INVENTORIES WHICH I THINK IS THE HIGHEST INVENTORY IN HISTORY -- AT LEAST OUR EXPERTS CANNOT RECALL THE TIME WHEN INVENTORIES HAVE BEEN SO LARGE. ALL 36 FEDERAL RESERVE BRANCH BANKS HAVE VIRTUALLY FILLED THEIR VAULTS AND WE ARE NOW STORING COINS IN OUR MINT FACILITIES IN SAN FRANCISCO, DENVER AND PHILADELPHIA.

NEVERTHELESS, THE PSYCHOLOGY OF HOARDING IS COMPLETELY UNPREDICTABLE AND WE CANNOT SAFELY RELY ON INVENTORIES, EVEN OF THIS MAGNITUDE. THAT IS WHY WE ARE CONTINUING COIN PRODUCTION AT SUCH A HIGH RATE. WE MUST BUILD UP A RESERVE OF COINS SUFFICIENT TO PROTECT US AGAINST ANY EVENTUALITY.

WE THINK THAT THE GENERAL PUBLIC -- AND MOST PEOPLE ARE NOT COIN COLLECTORS -- WOULD BE BEWILDERED BY ANY ACTION ON THE PART OF THE GOVERNMENT, AT THIS TIME, WHICH WOULD OPEN THE TREASURY UP FOR "DOLLAR DAY" SALES ALL OVER THE COUNTRY. THESE DOLLAR DAY SALES, DAY IN AND DAY OUT, OVER A PERIOD OF TIME, IN OUR JUDGMENT, COULD REVIVE A COIN MANIA. WE DO NOT BELIEVE IT IS IN THE PUBLIC INTEREST TO CHANCE SUCH A POSSIBILITY AT THIS TIME. WE DO NOT BELIEVE THAT THE SPLENDID PROGRESS WE ARE MAKING IN COMPLETING OUR TRANSITION INTO OUR NEW COINAGE SYSTEM SHOULD BE THREATENED AND POSSIBLY NEGATED BY AN ACTION WHICH MIGHT POSSIBLY START A NEW COIN RUN.

IT IS FOR THIS REASON WE URGE THE CONGRESS NOT TO TAKE ANY ACTION ON THE DISPOSITION OF THESE SILVER DOLLARS AT THIS TIME.

IN THE MEANTIME, THESE SILVER DOLLARS WHICH HAVE BEEN IN OUR VAULTS FOR MANY, MANY YEARS, WILL NOT DECREASE IN VALUE. THEREFORE, WE DO NOT BELIEVE THAT IMMEDIATE ACTION IS IMPERATIVE.

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(1/66)

TREASURY DEPARTMENT
WASHINGTON 25

OFFICE OF
DIRECTOR OF THE MINT

A HISTORY OF THE SILVER DOLLAR

The silver dollar, not as we know it today, but as its progenitor, came prominently to the fore in the days of the American Revolution.

The dollar, or "thaler" (which did not originate with the Spaniards), is short for the "Joachimsthaler" of Joachimsthal, a mining town in the Joachims Valley in Bohemia, where the coins were first struck in the sixteenth century.

On the second day of the Second Continental Congress, May 11, 1775, Mr. John Hancock of Massachusetts placed before that body a plan to raise funds for support of our forces in the fight for freedom, involving the use of Spanish milled silver dollars for payments of notes to be issued by the Congress.

The Journal of the Continental Congress on June 22, 1775, records a "resolve" that a sum not exceeding two millions of Spanish milled dollars be emitted by the Congress in bills of credit for the defense of America.

At the time there were many different kinds of colonial shillings in circulation, all with different values in terms of the English shilling. However, the Spanish silver dollar, which came in by trade across the frontier from Louisiana, which Spain later ceded to France, was the principal coin of commerce. It contained 374 7/8 grains of silver.

A committee of seven was appointed by the Continental Congress on April 19, 1776 to examine and ascertain the value of the species of gold and silver coins then current in the colonies and to determine the proportions "they ought to bear to Spanish milled dollars." This committee filed such a report on September 2, 1776. Included in the report are references to such denominations as English and French guineas, Johannes and half Johannes, Spanish and French pistole, doubloons, English and French crowns, English shillings, and the then popular Spanish milled dollars, all of which served as a medium of exchange in the colonies.

Thomas Jefferson recommended on September 2, 1776, to the Continental Congress, that the United States adopt the silver "Spanish Milled Dollar" called "Pillar Pieces of Eight", as our monetary unit of value, since daily trade was transacted in that coin.

In his notes on the subject, Thomas Jefferson expressed the opinion that in fixing the unit of money the following circumstances were of principal importance:

1. That it be of a convenient size to be applied as a measure to the common money transactions of life.
2. That its parts and multiples be in easy proportion to each other so as to facilitate the Money Arithmetic.
3. That the Unit and its parts or divisions be so nearly of the value of some of the known coins so that they may be of easy adoption for the people.

Mr. Jefferson concluded the Spanish dollar seemed to fulfill all these conditions.

The Superintendent of Finance in the Continental Congress, Robert Morris, wrote in 1777: "The various coins which have circulated in America have undergone different changes in their value, so that there is hardly any which can be considered as a general standard, unless it be Spanish dollars. These pass in Georgia at five shillings, in North Carolina and New York at eight shillings, in Virginia and the four Eastern States at six shillings, and in all the other States except South Carolina at seven shillings and sixpence, and in South Carolina at thirty-two shillings and sixpence."

The dollar was established as the ideal money unit of the United States of America by the Continental Congress, on July 6, 1785. On the eighth of August 1786, it was enacted that the standard for coinage of gold and of silver should be eleven parts fine and one part alloy, and that the money unit or dollar should contain 375-64/100 grains of fine silver.

The Mint Act of April 2, 1792:

1. Authorized coinage of the silver dollar (of the value of Spanish milled dollar) against the deposit of silver and fixed its weight at 371-4/16 grains of pure silver or 416 grains of standard silver;

2. fixed the standard for silver coins as 1485/1664 (.8924) fine;

3. fixed the coinage ratio of gold and silver as 1 to 15;

4. provided for free coinage; and

5. declared silver dollars (and all other coins authorized) lawful tender.

The Act of 1792, in effect, reduced the silver content 1-1/7 percent from the dollar established in 1786.

Coinage of silver dollars commenced in 1794. In his report of October 28, 1794 to the Congress, the first Director of the Mint, David Rittenhouse, reported "A beginning has been made in coining the precious metals * * * * A large parcel of blank dollars is ready for coining, waiting for a more powerful press to be finished, in order to complete them for currency."

From 1794 until 1805, the Mint at Philadelphia produced 1,439,517 silver dollars. During this period, many of these coins were exported to Mexico and the West Indies where they found acceptance in place of Spanish milled dollars. This left the worn and clipped Spanish coins as the chief circulating medium in the United States.

While Secretary of State, Madison wrote Mint Director Robert Patterson on May 1, 1806:

> "In consequence of a representation from the director of the Bank of the United States that considerable purchases have been made of dollars coined at the Mint for the purpose of exporting them, and as it is probable further purchases

> and exportations will be made, the President (Jefferson) directs that all the silver to be coined at the Mint shall be of small denominations, so that the largest piece shall not exceed a half a dollar."

No more silver dollars were minted until 1836, thirty years later, and then only 1000 of them were issued from the Mints, and during this interim period, as indicated, the largest denomination of silver coins issued from the Mint were half dollars.

The Act of January 18, 1837, which consolidated Mint law up to that date, fixed the standard fineness as 0.900 for silver coins and changed the weight of the silver dollar to 412.5 grains. This is the coin we have today. Under this act, 6,590,721 silver dollars were coined, commencing in 1839 and continuing without interruption (except for the year 1858) until 1873.

Coinage of the silver dollar was discontinued by reason of the Act of February 12, 1873, which omitted the silver dollar from the list of coins authorized to be struck by the Mint. When the standard silver dollar was dropped, Congress made provision for a trade dollar.

The trade dollar was exported largely to the Orient where it competed in circulation with the Mexican peso. This coin was 420 grains in weight, seven and one half grains heavier than the standard weight of the regular silver dollar. Though trade dollars continued to be struck for a period of seven years after the Bland-Allison Act of 1878, these pieces were confined to specimen proof strikings. The total of trade dollars struck amounted to 35,965,924 pieces.

The Act of February 28, 1878 restored coinage of the standard silver dollar (but only on Government account) of the weight of 412.5 grains of standard silver 0.900 fine (371.25 grains of pure silver) as provided in the Act of January 18, 1837, and declared all such dollars (and all those previously coined) to be legal tender except where otherwise expressly stipulated in the contract. The Act also directed the Secretary of the Treasury to purchase each month, at the market price thereof, not less than $2,000,000 nor more than $4,000,000 worth of silver bullion and to coin the bullion so purchased into standard silver dollars. Under this Act, 291,272,018.56 fine ounces of silver were purchased, at a cost of $308,279,260.71, and 378,166,793 standard silver dollars were coined.

Purchases under the Bland Allison Act of 1878 were continued until passage of the Sherman Act of July 14, 1890.

The Sherman Act of 1890 repealed the provisions of the Act of February 28, 1878, which required the monthly purchase and coinage of silver bullion, and directed purchase of silver, to total 4,500,000 ounces of bullion per month at the market price thereof, not exceeding one dollar for 371.25 grains of pure silver, provided for its coinage into standard silver dollars, and authorized the issue of Treasury notes (called Treasury Notes of 1890) in payment for the silver bullion purchased.

Under the Sherman Act, 168,674,682.53 fine ounces of silver were purchased, at a cost of $155,931,002.25 for which Treasury notes were issued. Of the silver purchased, 144,653,722.68 fine ounces, costing $134,192,285.02 were coined into 187,027,345 standard silver dollars. The balance was used for subsidiary silver coinage. (Of the silver dollars coined, 36,087,285 were coined before the repeal of the silver purchase authority by the Act of November 1, 1893; 42,139,872 were coined between November 1, 1893 and June 12, 1898; and 108,800,188 were coined as directed by the Act of June 13, 1898.)

The Acts of March 3, 1891 and March 3, 1887 authorized coinage from trade dollar bullion and trade dollars then in the Treasury. Under these Acts, 5,078,472 standard silver dollars were coined.

The Act of November 1, 1893 repealed the purchasing clause of the Act of July 14, 1890.

The Act of June 13, 1898, directed coinage into standard silver dollars of all the remaining bullion in the Treasury purchased under the Act of July 14, 1890.

The Act of April 23, 1918, (Pittman Act) authorized the conversion of not exceeding 350,000,000 standard silver dollars into bullion and its sale, or use for subsidiary silver coinage, and directed purchase of domestic silver for recoinage of a like number of dollars. Under this Act, 270,232,722 standard silver dollars were converted into bullion (259,121,554 for sale to Great Britain at $1.00 per fine ounce, plus mint charges and 11,111,168 for subsidiary silver coinage), the equivalent of about 209,000,000 fine ounces of silver. Between 1920 and 1933, under the Act, the same quantity of silver was purchased from the output of American mines, at a fixed price of $1 per ounce, from which 270,232,722 standard silver dollars were recoined.

Under the Thomas Amendment to the Agricultural Adjustment Act, approved May 12, 1933, the President was authorized for a period of five months to accept silver on war-debt account, at a maximum price of fifty cents an ounce, the total amount accepted not to exceed a value of $200 million. Silver certificates were to be issued against the silver so received to the total value at which the silver was accepted. The law further provided that the silver so accepted should be coined into standard silver dollars and subsidiary silver coin sufficient, in the opinion of the Secretary of the Treasury, to meet any demands for redemption of the silver certificates issued.

A further requirement to mint silver dollars was contained in Presidential proclamation related to the purchase of newly-mined domestic silver, issued on December 21, 1933, calling upon the Mints to coin this denomination, in payment for the silver received under this proclamation.

The quantity of silver dollars minted under the Thomas Amendment and the Proclamation of December 21, 1933 was 7,021,528 pieces.

Section 5 of the Silver Purchase Act of 1934 provides that all of the silver certificates issued thereunder will be redeemable on demand at the Treasury of the United States in standard silver dollars, and gave the Secretary of the Treasury authority to coin them for such redemption. Further, the Proclamation of August 9, 1934, nationalizing silver, provided that the silver so received would be added to the monetary stocks of the United States and coined from time to time into standard silver dollars in such amounts as were required to carry out the provisions of the proclamations. The total quantity of silver dollars minted under these two authorities was 53,029 pieces. The coinage involved took place in 1934 and 1935.

Public Law 88-36, approved June 4, 1963 provides:

> "Silver certificates shall be exchangeable on demand at the Treasury of the United States for silver dollars, or at the option of the Secretary of the Treasury, at such places as he may designate, for silver bullion at a monetary value equal to the face amount of the certificates."

On March 25, 1964, the Secretary exercised the option authorized by this act, and it is no longer possible to secure silver dollars from the Treasury. However, holders of silver certificates may continue to avail themselves of their legal right to demand an amount of silver precisely equal to the silver content of a standard silver dollar. The certificates may be presented at either the United States Assay Office, 32 Old Slip, New York City, or the United States Assay Office, 155 Hermann Street, San Francisco, California, where they will be redeemed in silver bullion at the monetary value of $1.292929292 an ounce.

Under the procedure which has been established for small exchange transactions, the Assay Office at New York issues small manila envelopes, each valued at $1.00, containing .77+ ounce of fine silver in the form of crystals. Similar exchanges being made at the Assay Office at San Francisco are in the form of pellets or granulations. These exchanges are made only over the counter; neither of the Assay Offices handle these transactions by mail.

For larger redemptions, the Treasury stands ready to exchange bars of silver bullion for silver certificates. The minimum amount obtainable is one bar, which will vary in weight from 1,000 to 1,100 ounces, at $1.292929292 per fine troy ounce, raised to the next highest dollar. Thus, if the exchange were to be for a single bar, and the bar weighed exactly 1,000 ounces, its cost would be $1,293. Additional amounts must be in full bars.

From 1792 until 1873, when silver dollar coinage was discontinued, coinage of silver dollars was free for the account of the depositor of silver, and the mint price of silver was $1.2929+ per fine ounce. Since the restoration of coinage in 1878, coinage of silver dollars has been for the account of the United States, and the difference between the cost of the silver and the face value of the dollars coined, termed seigniorage, has been covered into the Treasury as a miscellaneous receipt.

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AUTHORITIES FOR SILVER DOLLAR COINAGE

Authorizing Act	Standard Weight	Standard Fineness
April 2, 1792	416	892.4
January 18, 1837	412-1/2	900.0
February 28, 1878	412-1/2	900.0
July 14, 1890	412-1/2	900.0
March 3, 1891	412-1/2	900.0
April 23, 1918	412-1/2	900.0

SILVER DOLLAR COINAGE

Act Apr. 2, 1792:		
From 1792 to 1805	$1,439,517	
During 1836	1,000	
		$ 1,440,517
Act Jan. 18, 1837: From 1839 to Feb. 12, 1873		6,590,721
Act Feb. 28, 1878 (Bland-Allison Act)		378,166,793
Act July 14, 1890 (Sherman Act), to date of repeal of purchasing clause thereof Oct. 31, 1893	36,087,285	
Act Nov. 1, 1893, to June 12, 1898	42,139,872	
Act June 13, 1898, war revenue bill	108,800,188	
		187,027,345
Act Mar. 3, 1887 and 1891, trade-dollar conversion		5,078,472
Act Apr. 23, 1918, Pittman Act replacement (represents equivalent number of dollars converted into bullion - 259,121,554 for export to India and 11,111,168 for domestic subsidiary coin):		
Old design, since Feb. 21, 1921	86,730,000	
Peace dollar, since Dec. 21, 1921	183,502,722	
		270,232,722
Act May 12, 1933 (sec. 43), Executive proclamation, Dec. 21, 1933		7,021,528
Act June 19, 1934 (sec. 7), Executive proclamation, Aug. 9, 1934		53,029
Total		855,611,127

TREASURY DEPARTMENT

WASHINGTON, D.C.

March 25, 1964

FOR IMMEDIATE RELEASE

TREASURY TO REDEEM SILVER CERTIFICATES IN BULLION INSTEAD OF SILVER DOLLARS

Treasury Secretary Douglas Dillon tonight announced that silver certificates will henceforth be redeemed in silver bullion only.

The Secretary explained that Treasury's dwindling stock of silver dollars has been channeled to the greatest extent feasible to certain Western states where some circulation of silver dollars has been traditional. However, heavy drains by coin collectors and dealers have now reduced the Treasury's stock of silver dollars, which was about 28 million on January 1, to approximately 3 million, virtually all of which have special numismatic value. These silver dollars cannot be equitably distributed by redeeming silver certificates. Moreover, their release would not serve any purpose in adding to the supply of circulating coins, since these silver dollars with special numismatic value would be entirely absorbed by coin dealers and collectors.

In providing that silver certificates will now be redeemed only in silver bullion, the Secretary of the Treasury has exercised an option provided in legislation passed by Congress last June. Holders of silver certificates may redeem them for silver bullion at the monetary value of $1.292929292 an ounce at the New York and San Francisco Assay Offices, not at the Treasury. Thus, holders of silver certificates may continue to exercise their legal right to demand an amount of silver precisely equal to the silver content of a standard silver dollar.

While silver dollars have not been minted since 1935, nearly one-half billion of these coins have been put into circulation in the last hundred years. These silver dollars will continue to circulate freely alongside their paper money counterparts. The Congress has been considering appropriations that would provide for further coinage of silver dollars. Meanwhile, mint facilities are currently being fully utilized in supplying the subsidiary and minor coins that serve an essential function as a means of payment in all parts of the country, and for which there are no substitutes.

The eventual disposition of the existing small Treasury stocks of silver dollars will be carefully considered in the light of existing circumstances at a later date.

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INVENTORY OF SILVER DOLLARS IN THE TREASURY

In May 1963 the Treasury asked General Accounting Office auditors to join with Treasury auditors in inspecting all future removals of silver dollars from the Treasury. This step, which was put into effect immediately, was taken because it was believed that some of the vaults, which had been under joint seal of Treasury auditors for many years, contained some dollars having high numismatic value.

On April 15, 1964, several weeks after the Secretary of the Treasury had suspended the exchange of silver dollars for silver certificates, the Internal Audit Staff of the Office of the Treasurer of the United States, together with representatives of the Cash Division of that office, began an examination of the silver dollars in the Treasury under the observation of auditors of the General Accounting Office.

The lot selected for first examination contained 186 bags tagged as uncirculated Carson City dollars. This lot had been placed under joint seal of the Cash Division and Internal Audit Staff in 1958. The results of the examination of this lot are as follows:

		ACTUAL CONTENTS OF BAGS													
Mint yr. on	No. of	UNCIRCULATED CARSON CITY								MIXED		CARSON CITY CIRCULATED			
Tags	Bags	1878	1879	1880	1881	1882	1883	1884	1885	Peace	Morgan	1889	1890	1893	Totals
1878	3	2954			1	23				17	5				3000
1880	5		1	4036		1				886	76				5000
1881	3				2146	1				767	86				3000
1882	41	2	2	21	885	33820	2458	2	1496	1920	391		2	1	41000
1883	41	1		22	4	1293	37564		1001	908	206		1		41000
1884	87	3		1		126	1037	84208	19	1395	210		1		87000
1885	4					118	3		3751	73	55				4000
Mixed	2	1			127	300	2	620		841	108	1			2000
Totals	186	2961	3	4080	3163	35682	41064	84830	6267	6807	1137	1	4	1	186000

The lot next examined contained 244 bags, tagged as uncirculated Carson City dollars. Part of this lot had been placed under joint seal in 1955 and the remainder in 1956. The results of the examination of this lot are as follows:

		ACTUAL CONTENTS OF BAGS																	
Mint yr. on Tags	No. of Bags	UNCIRCULATED CARSON CITY										MIXED		CARSON CITY CIRCULATED			New Orleans Uncirculated		
		1878	1879	1880	1881	1882	1883	1884	1885	1890	1891	Peace	Morgan	1878	1879	1890	1884O	1885O	Totals
1878	7	6952										1	38	9					7000
1880	4			3738								260	2						4000
1881	6	2	1	1	5527							425	44						6000
1882	47	2	6	2	7	46630	2	10	36		40	221	44						47000
1883	53			1	8	2010	50605				20	209	147						53000
1884	111				1	32	129	107348				244	1242	1	1	2	1000	1000	111000
1885	10						2		9831			137	30						10000
1890	2									1965		33	2						2000
1891	4										3891	102	7						4000
Totals	244	6956	7	3742	5543	48672	50738	107358	9867	1965	3951	1632	1556	10	1	2	1000	1000	244000

Examination then turned to a lot of 2,422 bags tagged as uncirculated Carson City dollars. Records showed that this lot had been under joint seal since 1935. The results of the examination of 259 bags from this lot, selected at random from the 7 compartments which contained them, are as follows:

		ACTUAL CONTENTS OF . BAGS									
Mint yr. on Tags	No. of Bags	UNCIRCULATED CARSON CITY								Uncir. N.O.	
		1878	1879	1880	1881	1882	1883	1884	1885	1884	Totals
1878	2	2000									2000
1879	1		1000								1000
1880	7			7000							7000
1881	14	2	3	599	13396						14000
1882	53		2	1	4	52993					53000
1883	66				5	19	65976				66000
1884	102					7	32	100961		1000	102000
1885	14					1	2000		11999		14000
Totals	259	2002	1005	7600	13405	53020	68008	100961	11999	1000	259000

Since the results of this examination of over 10 percent of this lot indicated that the contents of the bags were virtually as tagged, the very slow and costly examination of each individual coin was discontinued. The contents of the remaining 2,163 bags in this lot are tagged to indicate the following uncirculated Carson City dollars:

Year		Amount
1878		49000
1879		4000
1880		116000
1881		125000
1882		470000
1883		599000
1884		675000
1885		122000
1890		2000
1891		1000
	Total	2163000

In addition to the dollars listed above, there are in the Treasury bags of dollars tagged as uncirculated of the following years and mints:

Year	Mint	Amount
1883	Philadelphia	1000
1885	"	2000
1887	"	3000
1883	New Orleans	2000
1884	"	2000
1879	San Francisco	2000
1880	" "	1000
1881	" "	1000
1882	" "	2000
1922	Philadelphia	1000
	Total	17000

As of September 21, 1964, there were also in the Treasury 78,899 mixed circulated silver dollars, which made a total of 2,947,899 on that date.

Broken down among Carson City and other dollars, circulated and uncirculated, the foregoing may be recapitulated as follows:

Analysis of Standard Silver Dollars On Hand Sept. 21, 1964
Per Treasury Daily Statement of That Date

Carson City:			
Uncirculated		2837849	
Circulated		19	
Total			2837868
Other Than Carson City:			
Uncirculated:			
Reported in previous schedules of 244 and 259 bag examinations	3000		
Others held in Treasury	17000	20000	
Mixed Circulated:			
Reported in previous schedules of 186 and 244 bag examinations	11132		
Others held in Treasury	78899	90031	
TOTAL			110031
Total On Hand in Treasury September 21, 1964			2947899

TREASURY DEPARTMENT

WASHINGTON, D.C.

July 27, 1966

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 $2,300,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing August 4, 1966, in the amount of $2,299,987,000, as follows:

91-day bills (to maturity date) to be issued August 4, 1966, in the amount of $1,300,000,000, or thereabouts, representing an additional amount of bills dated May 5, 1966, and to mature November 3, 1966, originally issued in the amount of $990,009,000, the additional and original bills to be freely interchangeable.

182-day bills, for $1,000,000,000, or thereabouts, to be dated August 4, 1966, and to mature February 2, 1967.

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving time, Monday, August 1, 1966. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for each issue for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on August 4, 1966, in cash or other immediately available funds or in a like face amount of Treasury bills maturing August 4, 1966. Cash and exchange tender will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE July 27, 1966

TREASURY ANNOUNCES $14.9 BILLION REFUNDING

The Treasury today announced that it is offering holders of the note and bond issues maturing August 15, 1966, and the certificate, note and bond issues maturing November 15, 1966, an opportunity to exchange their holdings at attractive yields.

The securities eligible for exchange and those being offered are as follows:

Securities eligible for exchange and their maturity dates		Securities offered in exchange and their maturity dates	
4% notes, A-1966	8/15/66	5-1/4% ctfs., A-1967	8/15/67
3% bonds, 1966	8/15/66	5-1/4% notes, A-1971	5/15/71

PREREFUNDING

4-3/4% ctfs., A-1966	11/15/66	5-1/4% notes, A-1971	5/15/71
4% notes, E-1966	11/15/66		
3-3/8% bonds, 1966	11/15/66		

The new securities are being offered at par to holders of the August maturities, and therefore will yield 5-1/4%. Details for the November maturities showing cash and interest adjustments appear in Table 1, and approximate investment yields in Table 2, both tables attached.

The public holds $8.1 billion of the securities eligible for exchange, and about $6.8 billion is held by Federal Reserve and Government investment accounts.

Cash subscriptions for the new securities will not be received.

The books will be open for three days only, on August 1 through August 3, for the receipt of subscriptions. Subscriptions addressed to a Federal Reserve Bank or Branch, or to the Office of the Treasurer of the United States, and placed in the mail before midnight, August 3, will be considered as timely. The payment and delivery date for the new securities will be August 15, 1966. Interest on the securities maturing November 15, 1966, will be adjusted as of that date. The new certificates will be made available in bearer form only. The new 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. This is a taxable exchange.

Coupons dated August 15, 1966, on the securities eligible for exchange should be detached and cashed when due. Coupons dated November 15, 1966, on securities eligible for exchange must be attached. The August 15, 1966, interest due on registered securities will be paid by issue of interest checks in regular course to holders of record on July 15, 1966, the date the transfer books closed.

Interest on the 5-1/4% certificates will be payable on February 15 and August 15, 1967. Interest on the 5-1/4% notes will be payable on November 15, 1966, and thereafter on May 15 and November 15 until maturity.

TABLE NO. 1

Payments due to and due from Subscribers in the August 1966 Prerefunding

(In dollars per $100 face value)

Securities to be exchanged	Payment by subscribers on account of issue price of offered securities	Accrued interest to August 15, 1966, on securities exchanged to be paid to subscribers	Net Amount to be paid to subscriber
	For the 5-1/4% Note 5/15/71		
4-3/4% Cert. 11/15/66	0.100000	1.187500	1.087500
4% Note 11/15/66	0.350000	1.000000	0.650000
3-3/8% Bond 1966	0.550000	0.843750	0.293750

TABLE NO. 2

Investment returns in the August 1966 Prerefunding

Securities eligible for exchange 1/	Approximate investment yield from 8/15/66 to maturity 2/	Approximate reinvestment rate for the extension period 3/
3-3/8% Bond 11/15/66	5.24%	5.23%
4% Note 11/15/66	5.23	5.24
4-3/4% Certificate 11/15/66	5.24	5.26

Office of the Secretary of the Treasury
Office of Debt Analysis

1/ Not eligible for nontaxable exchange privilege.

2/ Yields to nontaxable holders (or before tax) on issues offered in exchange based on prices of eligible issues (adjusted for payments on account of issue price). Prices are the mean of bid and ask quotations at noon on July 26, 1966.

3/ Rate for nontaxable holder (or before tax).

TREASURY DEPARTMENT

WASHINGTON, D.C.

July 28, 1966

FOR IMMEDIATE RELEASE

TREASURY DECISION ON CEMENT
UNDER THE ANTIDUMPING ACT

The Treasury Department has completed its investigation with respect to the possible dumping of white portland cement from Japan, manufactured by Onoda Cement Co., Tokyo, Japan. A notice of a tentative determination that this merchandise is not being, nor likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended, will be published in an early issue of the Federal Register.

White cement is used instead of gray cement where the purity of color is a paramount consideration.

Appraisement of the above-described merchandise from Japan, manufactured by Onoda Cement Co., Tokyo, Japan, has not been withheld.

Imports of the involved merchandise received during the period March 1, 1965, through April 30, 1966, were valued at approximately $475,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

July 29, 1966

FOR IMMEDIATE RELEASE

TREASURY SECRETARY FOWLER ANNOUNCES THAT THE MATURITY OF CERTAIN SERIES H SAVINGS BONDS HAS BEEN EXTENDED AT 4.15 PERCENT INTEREST

Treasury Secretary Henry H. Fowler today announced that President Johnson has approved a recommendation granting owners of outstanding Series H Savings Bonds, bearing issue dates of February 1, 1957, through May 1, 1959, the option of holding their bonds for ten years after maturity at an annual rate of 4.15 percent interest. These bonds were originally issued to reach maturity ten years after issue date.

Interest will be payable on the bonds each six months at a rate of $20.75 per $1,000 throughout the extended maturity period. Checks will be mailed to reach bond owners on the same monthly dates as during the original maturity period.

Owners of Series H bonds bearing issue dates from June 1, 1952, through January 1, 1957, have previously been given the option of holding their bonds for an extended period of ten years beyond original maturity at rates of interest announced on February 16, 1966.

This action is being taken at this time so that holders of the February 1, 1957 - May 1, 1959, Series H bonds may be advised of the extension privilege and rate of interest when they receive the next to last interest check due them during the original maturity period. The first of such checks are due to be received by holders of the February 1, 1957, bonds on Monday, August 1.