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WASHINGTON, D.C.

November 7, 1969

FOR IMMEDIATE RELEASE

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TREASURY DEPARTMENT

EDWARD J.GENG APPOINTED
TO DEBT MANAGEMENT POST

Secretary of the Treasury David M. Kennedy today announced the appointment of Edward J. Geng as his Special Assistant for Debt Management.

Mr. Geng succeeds R. Duane Saunders who returned to private industry in July of this year.

Mr. Geng, 38, of North Merrick, New York, received a Bachelor of Business Administration degree from St. John's University in 1957 and a Master of Business Administration degree from New York University in 1962. Mr. Geng completed the course of study at the Stonier Graduate School of Banking, Rutgers University in 1966. From 1951 to 1952 he served in the United States Army.

Mr. Geng joined the Federal Reserve Bank of New York as an Assistant Bank Examiner in 1957 and transferred to the Open Market Trading Desk in the Bank's Securities Department that same year. In 1964, he was appointed an officer of the Bank with the title Manager, Securities Department.

From 1966 to April 1967, Mr. Geng served as Assistant Secretary of the Bank. He was appointed an Assistant Vice President in 1968, with responsibility in the Open Market Operations and Treasury issues function.

Mr. Geng is married to the former Arlene Fuchs of Glendale, New York. They have three children and live at 8617 Fenway Road, Bethesda, Maryland.

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TREASURY DEPARTMENT
Washington, D. C.

FOR RELEASE UPON DELIVERY

REMARKS OF THE HONORABLE MURRAY L. WEIDENBAUM
ASSISTANT SECRETARY OF THE TREASURY FOR ECONOMIC POLICY
BEFORE THE MORTGAGE BANKERS ASSOCIATION
CHICAGO, ILLINOIS
FRIDAY, NOVEMBER 7, 1969, 12:00 NOON, CST

ECONOMIC POLICY AND THE BUSINESS OUTLOOK

This is the dangerous season for economic forecasting -- even the innocent observer is likely to get caught in the crossfire of conflicting predictors. Rather than add to the barrage of diverse views, I would like to offer for your consideration a framework of economic analysis which I hope is useful to all of the participants, bulls and bears alike.

A wise economic policy at any time depends, of course, on an evaluation of the economic outlook. Here, the richness of our statistical information system seems to present a problem to some analysts. It appears that at present we have a mixed bag of economic signals which, unfortunately, do not all point in the same direction. This mixed assortment of indicators includes such portents of expansion during the months ahead as rising new orders for durable goods; a number of private surveys of business plans which point to an expansion in

plant and equipment outlays in 1970 in a range of 5 percent to 9 percent; some resurgence in consumer spending in August, September, and apparently in October -- following a period of sluggishness since last April. Indeed, in September, the index of the "leading indicators," which had been declining in recent months, rose noticeably, which might suggest expansion of economic activity in the months ahead.

On the other hand, some other statistical indicators do point to lessened inflation. Most measures of real economic activity -- GNP in constant dollars, industrial production, employment, and manhours -- no longer are registering the strong gains which were being made during 1968. Perhaps this is best summarized by the decline in the rate of real economic growth to little more than 2 percent during the first three quarters of 1969, as compared with about 5 percent in the preceding three quarters.

At such times as this, it is not an unnatural temptation among some of our brethren in the forecasting fraternity to project a trend line from a single observation point, often times the most recent. After all, using two observation points could really inhibit the creativity of the projector.

Amidst all this attention focused on statistical indicators, I would like to make a personal statement for the record. I have never subscribed to the simple-minded notion that we measure major swings in economic activity by

fine percentages. Specifically, it has become fashionable to state that a recession occurs in our economy anytime that real economic activity declines in two successive quarters, even by as little as one-tenth of one percent. As a professor of economics, I always cautioned my students against excessive reliance upon our ability to measure such minute changes in our massive economy.

I wish to make it clear that I am not forecasting any such condition. Rather, I am drawing attention to what I consider misleading economic analysis. For one thing, small differences in the rate of change in GNP, when they first become available in preliminary estimates, may not hold up subsequently when revised figures are published.

Against this perspective, here is my personal interpretation of the mixed bag of signals that we are getting. To me, it signifies a substantial change in the underlying environment. If we had taken similar soundings six or even three months ago, almost all of the indicators would have pointed in a single direction -- upward, with an accompanying upsurge of inflationary pressures.

It is this change to a mixed pattern in the array of statistical indicators that leads me to expect that -- with continued application of economic restraint -- inflationary pressures will begin to subside. If we look at the recent quarterly patterns of the consumer price index, for example,

we find that the upward movement has leveled off -- at an annual rate of 6 percent for each of the three quarters of 1969 to date.

Perhaps not much evidence of slowing price advances may be registered in this and other general measures of the prices in the immediate future. This will be reflecting the slow adjustment of the price level to an ongoing inflationary momentum which has been underway for four years. Strong pressures have been generated on the cost side, and these may not subside quickly.

Of course, I have already learned from my most recent tour in government service that any future-oriented evaluation is fraught with great dangers, especially to the person taking the look forward. Specifically, changes in public policy -- both designed as well as unintentional -- may make the evaluation out-of-date. I do see such risks in the present environment.

As the Treasury Department has stated repeatedly in the last several months, prompt congressional action on extending the surcharge and related revenue-raising legislation is needed to maintain a significant budget surplus for the current fiscal year. Any delay in such action introduces uncertainty in private planning and, unnecessarily, reduces the anti-inflationary impact of the tax action when it is finally taken.

Thus, my relatively sanguine prognosis that the inflationary pressures will begin to dampen in coming months is based on the assumption that the Congress will soon take the necessary fiscal action: extending the income tax surcharge at 5 percent to June 30, 1970, eliminating the investment tax credit, and extending some expiring excise tax rates. Without such tax action, fiscal policy will move from its present position of moderate restraint to one of unnecessary and unfortunate ease. Maintaining the flow of revenue into the Treasury is extremely important in terms of the current effort to control inflation. This is no time for a large tax reduction. Yet, that is exactly what will happen if the surcharge is permitted to expire in less than two months.

I know that recommending tax extensions and increases is not a very popular thing to do. But the consequences of inaction, when the public realizes the significance of inaction, may become even more unpopular and undesirable. Specifically, failure to continue the surcharge and take related tax action would cost the Treasury $4 billion in revenue this fiscal year. The general effect on our anti-inflation effort would be clear and unfortunate. But also this would mean that in the absence of legislation action, we in the Treasury would have to be going into the money market for approximately $4 billion above and beyond our basic needs. Such a move by the Government could only increase the pressure on a tight money market,

thus exerting an upward force on interest rates -- at a time when we all hope that they will recede somewhat from their current historic peak. There is another side to the Federal subject. We also need to be aware of the importance of resisting many of the ever-present upward pressures on the budget which emanate from the expenditure side.

I believe that there is a considerable greater equity to be achieved in continuing to rely on fiscal restraint. The broadly-based Federal income tax system tends to affect the population as a whole, and tax reform may carry that further. In contrast, monetary policy often tends arbitrarily, although perhaps inadvertently, to bear down hardest on selected groups of the population, notably residential construction, small and new businessmen, and state and local governments.

This last point leads us to the important and often neglected area of the optimum mix of economic policy tools in the United States. What I have in mind is the relative importance of monetary and fiscal policies and the changing balance between them.

Personally, I would characterize monetary policy as tight -- properly tight. The amount of Federal Reserve credit extended to member banks has declined since the middle of the year, as have member bank reserves. The money supply

(narrowly defined to include currency plus demand deposits) has been virtually stable during this period, while time deposits have declined sharply, mainly as a result of the continued run-off of certificates of deposits.

In contrast, fiscal policy most accurately can be labeled as being moderately restraining. Though essential, the surpluses contemplated are quite modest. I certainly find it very hard to characterize a $3 billion surplus in the fiscal year 1969 or even a projected $6 billion surplus in fiscal 1970 as representing "tight" fiscal policy in an economy approaching an annual GNP level of one trillion dollars.

Looking ahead, I am concerned that fiscal policy is in the process of loosening. As Paul McCracken, Chairman of the President's Council of Economic Advisers, recently told the Joint Economic Committee, we expect a budget surplus at an annual rate of about $7 billion in the second half of 1969 on the so-called national income and product (GNP) accounts basis. Even with enactment of the income tax surcharge and related tax measures, the budget surplus for the first half of 1970 is now estimated at only $3 billion.

However, if the tax requests are not granted, we may well face a budget deficit at the annual rate of about $5 billion in the first six months of 1970 (on national income and product account). This concerns the Treasury on at least

two grounds. First of all, for the immediate future, it is premature to ease our efforts of economic restraint. The inflationary pressures are still too severe.

And secondly, when the time for some moderation in economic restraint arrives -- and we all look forward to that day -- I would prefer to see some shift in monetary policy. I do not mean a massive change, but some reduction of pressure on credit markets and, hence, some easing of interest rates and increased availability of funds for such areas as housing.

Fiscal policy has an important role to play in economic decision-making, both in helping to stabilize the economy as well as determining the relative roles of the public and private sectors. Hence, it appears sensible to avoid making long-term budgetary commitments (either in terms of revenue loss or expenditures) because of changing short-term considerations. Under foreseeable circumstances, and my crystal ball may be at least as cloudy as yours, budget surpluses are the order of the day. Prompt and effective action by the Congress to assure this situation will give both a real as well as a psychological boost to our efforts to contain and dampen down the inflationary pressures which continue to be present in our economy.

The Administration is taking important steps to dampen the pressures that raise costs and prices. Among the many examples of our efforts to deal with underlying conditions are the actions that we have taken to reduce cost pressures

in the difficult and important area of construction. Specifically, the President has ordered a 75 percent cutback in the new Federal construction contracts. This Federal action should free up resources for housing and other private uses.

The President also has set up a collective bargaining commission for the construction industry. This tri-partite body is developing new voluntary procedures for settling labor disputes. It will also serve as a forum for discussion and study of important industry problems such as manpower training and seasonality of employment.

Spokesmen for the Administration have frequently stated that the fight against inflation is our number one economic objective. This continues to be the case. However it has never been our only economic objective. High and rising levels of productive employment and a rapidly growing standard of living, of course, are among our important long-term objectives.

As prudent men, we are genuinely concerned over the "slowing" pains, as President Nixon recently described them, that may accompany the transition to a less inflationary economy. To assist in that transition, the Administration has embarked on the most ambitious effort in three decades to improve our built-in automatic stabilizers. This will be one of the major advances in the application of modern fiscal policy.

The Administration has recommended to the Congress several important changes in the unemployment insurance system which would improve the ability of the Federal budget to act as an automatic stabilizer during periods of decline in economic activity. Prudent planning calls for taking such measures now when the economy is healthy and continuing to expand.

An analysis of the record of the unemployment insurance program demonstrates its effectiveness as a stabilizer. For example, in the 1958 recession, as a result of lowered national output (GNP), personal income before taxes (excluding transfer payments) declined at an annual rate of over $3 billion between the middle of 1957 and the middle of 1958. However, because of the response of automatic stabilizers such as unemployment benefits, disposable personal income actually increased at an annual rate of almost $3 billion during the same period.

To the extent that automatic stabilizers become structured into our economy, limits are placed against cumulative and substantial declines in aggregate economic activity. This enables economic forces to respond more quickly to adverse employment impacts which may result from periods of substantial economic restraint. Thus, our proposal would help minimize the social costs which may accompany necessary changes in economic policies.

Another forward-looking proposal is our plan to share Federal revenues with state and local governments. This will make a major contribution to the ability of the public sector to adjust to fluctuations in the level of national economic activity. Specifically, we propose that each year a substantial sum of money (a portion of the Federal individual income tax base) be made available to state and local governments to augment their own resources.

In contrast to many state and city levies that do not respond positively to changes in GNP, Federal revenue sharing funds would introduce an element of greater stability simultaneous with a built-in growth factor into the financial structures of the other parts of the public sector of the United States. We believe that revenue sharing in its decentralization of decision-making -- as well as a no strings approach toward how money is used -- will prove to be the most important innovation in the structure of the public sector of the United States in several decades.

Let me conclude briefly, returning to the short-run economic outlook. Numerous signs suggest that our policy of gradual restraint is becoming increasingly effective. In fact, we have progressed from the recent period when some doubters worried that perhaps our policy of economic restraint

would not work to a time when some of these very same doubters now wonder whether it may work too well. This reinforces the view expressed earlier that we are on the right path.

While we may be on the right road, the inflationary momentum is still strong -- far too strong to warrant any complacency, or to suggest that a change in policy is advisable. We need to continue economic restraint until inflation is under much better control. Many of us recall the lesson of 1967, when restraints were removed too quickly, and that led to a rapid resumption of inflation.

If we maintain the necessary resolve, the economic policy which we are carrying out will both contain the current inflation and lay the necessary foundations for a period of rapid real growth in employment, production, and living standards.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

November 7, 1969

FOR IMMEDIATE RELEASE

WILLIAM LAWRENCE CHRISTIAN NAMED
CAPTAIN OF TREASURY GUARD FORCE

Assistant Secretary of the Treasury for Enforcement and Operations Eugene T. Rossides announced today the promotion of Lieutenant William Lawrence Christian to the command position of Captain of the Treasury Guard Force. He is replacing Guy N. Bates who recently retired after 29 years service.

The Treasury Guard Force is under the supervision of the Director of the U.S. Secret Service. In addition to protecting personnel and equipment, the members of the Force are responsible for the safety of millions of dollars in currency, bonds and other securities in the Treasury Building and the Treasury Annex in Washington, D. C.

Captain Christian came from the Internal Revenue Service to the Treasury as a Private, he advanced to Sergeant in 1966, and to the rank of Lieutenant later in the same year.

Born in Washington, D. C., Captain Christian, 34, graduated from Cardozo High School, and later attended the District of Columbia Teachers College. He served with the United States Army from 1955 to 1957, in Korea.

Captain Christian was the recipient of a "High Quality Pay Increase" for his outstanding work with the (Guard) Force, in 1968.

Captain Christian is the son of James and Lucy Christian of Washington, D. C.

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UNITED STATES SAVINGS BONDS ISSUED AND REDEEMED THROUGH October 31, 1969

(Dollar amounts in millions – rounded and will not necessarily add to totals)

DESCRIPTION	AMOUNT ISSUED[1]	AMOUNT REDEEMED[1]	AMOUNT OUTSTANDING[2]	% OUTSTANDING OF AMOUNT ISSUED
MATURED				
Series A-1935 thru D-1941	5,003	4,997	6	.12
Series F and G-1941 thru 1952	29,521	29,484	36	.12
Series J and K-1952 thru 1957	3,754	3,729	24	.64
UNMATURED				
Series E[3]:				
1941	1,885	1,671	214	11.35
1942	8,320	7,386	935	11.24
1943	13,390	11,915	1,475	11.02
1944	15,616	13,814	1,802	11.54
1945	12,274	10,689	1,586	12.92
1946	5,572	4,674	897	16.10
1947	5,289	4,285	1,004	18.98
1948	5,471	4,344	1,127	20.60
1949	5,405	4,210	1,194	22.09
1950	4,725	3,626	1,099	23.26
1951	4,087	3,140	947	23.17
1952	4,283	3,264	1,019	23.79
1953	4,892	3,643	1,249	25.53
1954	4,987	3,644	1,342	26.91
1955	5,195	3,741	1,454	27.99
1956	5,019	3,570	1,449	28.87
1957	4,727	3,299	1,428	30.21
1958	4,607	3,091	1,517	32.93
1959	4,320	2,828	1,492	34.54
1960	4,329	2,720	1,609	37.17
1961	4,387	2,601	1,786	40.71
1962	4,232	2,411	1,821	43.03
1963	4,714	2,518	2,196	46.58
1964	4,595	2,464	2,131	46.38
1965	4,493	2,388	2,105	46.85
1966	4,837	2,385	2,452	50.69
1967	4,787	2,244	2,544	53.14
1968	4,528	1,856	2,672	59.01
1969	2,416	534	1,883	77.94
Unclassified	728	995	-267	-
Total Series E	164,111	119,949	44,162	26.91
Series H (1952 thru May, 1959)[3]	5,486	3,478	2,007	36.58
H (June, 1959 thru 1969)	7,182	1,835	5,347	74.45
Total Series H	12,667	5,313	7,354	58.06
Total Series E and H	176,778	125,262	51,516	29.14
All Series: Total matured	38,277	38,210	67	.18
All Series: Total unmatured	176,778	125,262	51,516	29.14
All Series: Grand Total	215,055	163,472	51,583	23.99

[1] *Includes accrued discount.*
[2] *Current redemption value.*
[3] *At option of owner bonds may be held and will earn interest for additional periods after original maturity dates.*

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE 6:30 P.M.,
Monday, November 10, 1969.

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 August 14, 1969, and the other series to be dated November 13, 1969, which were offered on November 5, 1969, were opened at the Federal Reserve Banks today. Tenders were invited for $1,800,000,000, or thereabouts, of 92-day bills and for $1,200,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	92-day Treasury bills maturing February 13, 1970		182-day Treasury bills maturing May 14, 1970	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	98.190 a/	7.083%	96.250 b/	7.418%
Low	98.163	7.188	96.235	7.447%
Average	98.171	7.157 1/	96.241	7.435% 1/

a/ Excepting 4 tenders totaling $1,669,000; b/Excepting 6 tenders totaling $6,050,000
54% of the amount of 92-day bills bid for at the low price was accepted
63% 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	$ 35,311,000	$ 25,311,000	$ 11,246,000	$ 11,046,000
New York	2,034,547,000	1,178,747,000	1,891,605,000	872,397,000
Philadelphia	42,862,000	27,357,000	18,888,000	8,812,000
Cleveland	41,358,000	39,719,000	66,593,000	37,851,000
Richmond	38,692,000	32,192,000	18,287,000	11,287,000
Atlanta	45,299,000	34,299,000	39,148,000	17,543,000
Chicago	222,938,000	212,692,000	187,235,000	113,235,000
St. Louis	61,140,000	50,440,000	51,620,000	28,670,000
Minneapolis	26,193,000	19,193,000	19,302,000	6,802,000
Kansas City	33,866,000	33,866,000	21,852,000	20,242,000
Dallas	27,356,000	17,356,000	24,107,000	13,788,000
San Francisco	169,168,000	129,268,000	243,159,000	62,814,000
TOTALS	$2,778,730,000	$1,800,440,000 c/	$2,593,042,000	$1,204,487,000 d/

c/ Includes $363,883,000 noncompetitive tenders accepted at the average price of 98.171
d/ Includes $225,327,000 noncompetitive tenders accepted at the average price of 96.241
1/ These rates are on a bank discount basis. The equivalent coupon issue yields are 7.39% for the 92-day bills, and 7.83% for the 182-day bills.

TREASURY DEPARTMENT
Washington

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FOR RELEASE AT 6:30 P.M., EST
THURSDAY, NOVEMBER 13, 1969

REMARKS BY THE HONORABLE
DAVID M. KENNEDY
SECRETARY OF THE TREASURY, BEFORE THE
GREATER SOUTH DAKOTA ASSOCIATION, MITCHELL, SOUTH DAKOTA
NOVEMBER 13, 1969

THE FISCAL SIDE OF THE NEW FEDERALISM

Tonight I want to discuss a subject in which President Nixon is vitally interested -- the future of our American Federal system. This Administration is firmly convinced that our progress as a free and progressive society depends importantly on the health and vitality of government at all levels -- Federal, state, and local. The President is deeply disturbed over the imbalance that now exists among these partners in federalism.

The story of American government in the 20th century has been one of increasing concentration of power and responsibility at the Federal level. This flow of power to Washington was induced and stimulated by major wars, both hot and cold, and by economic crises. In recent years it has been accelerated by a variety of efforts to cure major domestic ills through the force of Federal programs and Federal money. The remarkable capacity of the Federal tax system to generate revenues has sustained and even encouraged this transfer of power.

But this expansion in the scope of Federal influence and responsibility has produced an undesirable imbalance in the American public sector. Our State and local governments have been asked to deliver an ever growing quantity of vital domestic services, but they lack efficient and productive systems of taxation to respond adequately. In short, they have been unable to play their rightful role in our Federal system.

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The traditional functions of State and local government -- education, welfare, police protection, health and hospitals, highways, sanitation -- are more important today, on our scale of national priorities, than ever before. Over the years, the Congress and the Federal executive branch have recognized the importance of these local services, and have considered it essential that they be provided to our citizens. As a result, Federal grants-in-aid to State and local governments have grown enormously -- from $1 billion in 1946 to a level of $25 billion this fiscal year.

But this significant rechanneling of Federal tax dollars to our states and localities has not been as successful in increasing the scope and quality of state and local public services as one might hope. The transfer of Federal funds has been accompanied by an ever growing maze of program authorizations, restrictions, formulas, matching provisions, project approval requirements, and a host and variety of administrative burdens.

Over a period of years the Federal system of assistance to States and communities has evolved in piecemeal fashion. Federal, State and local officials are today confronted with over 600 programs for narrow categorical grants. Many of these programs are extremely cumbersome and each is equipped with its own array of administrative procedures and its own set of requirements to be levied upon State and local governments.

In drawing upon several funding sources to help finance one neighborhood project, for example, a local official may be confronted with a series of application forms weighing several pounds, a tortuous application process which may require many months to elicit a "yes" or "no" response from the Federal government, and a continuing process which may burden that community with hundreds of reports to the Federal government which are rarely read. Further, the local official may have to work with Federal people located in three or four different States in the course of putting this one project together.

I am told that a single program may require over a hundred different kinds of forms and reports, and that it may take over a hundred pages merely to list the administrative steps involved in the processing. We have found instances in which Federal, State and local governments make scores of independent studies in the same community without one knowing what the other is doing or having an opportunity to share in the results of the other study efforts.

On March 27th, President Nixon undertook a major three-year program to simplify Federal assistance. He has mounted a multi-pronged attack on the mass of red tape which is smothering the efforts of our three levels of government to work together effectively. Initial results are encouraging, and I am confident that in three years the President's efforts will have resulted in the elimination of many of these costly procedures and requirements which today burden our public officials and limit their ability to respond to public needs.

Against this background, the President also has come forward with a bold and challenging new domestic policy program designed to restore balance to American federalism while strengthening government's ability to deliver needed public services as efficiently as possible. This "New Federalism" seeks to redefine and redirect the role of the Federal Government toward those public functions where its capacity and effectiveness are unquestioned. It will move to restore to our states and localities the decision-making power rightfully theirs.

At the heart of our New Federalism is the proposal for sharing Federal revenues with State and local governments. The Treasury has had a major hand in drafting this revenue-sharing proposal, and we will be working very hard in the coming months to secure its enactment by the Congress.

I would like to take this opportunity to outline for you the main features of this revenue-sharing plan. It can be conveniently discussed in terms of its four major provisions.

First, the annual revenue-sharing appropriation will be a stated percentage of personal taxable income -- the base on which Federal individual income taxes are levied. For the first year of operation, this percentage will be modest, yielding about $500 million. But in 1976 we will be sharing a full one percent of the tax base, or about $5 billion. In subsequent years, the revenue-sharing appropriation will automatically respond to the growth in taxable income. This is only one more reason why our State and local governments have a strong stake in seeing a healthy national economy -- a point which I will turn to shortly.

Second, the state-by-state distribution of funds will be made on the basis of each state's share of national population, with a small adjustment for revenue effort to provide an incentive for maintenance of local taxing efforts. This adjustment will mean that a state like South Dakota, whose revenue collections in relation to state personal income are 24 percent above the national average, would receive a 24 percent bonus above its basic per capita portion of revenue sharing.

Third, each State government must distribute a portion of these revenue-sharing payments to all its general purpose local governments, regardless of size. Some alternative proposals would only include our larger cities and counties in direct revenue sharing. We strongly believe that all local governments are faced with fiscal pressures and that all deserve specific inclusion in this program.

The total amount a state must share with all its cities, counties, and townships will depend on the existing division of public financing responsibilities within each state. An individual local government will receive a fraction of each revenue-sharing payment which corresponds to the relative role which its general revenues bear in relation to the total of all state and local general revenues. We use this basis for allocating funds among local governments because a per capita distribution cannot distinguish between the importance of overlapping jurisdictions.

Fourth, state and local officials will receive not only the funds, but also the decision-making authority over the use of those funds. This is perhaps the most important feature of revenue sharing, and one which clearly distinguishes it from the Federal government's existing grant-in-aid system. Without the Federal program or project "strings," state and local authorities are free to initiate ideas which respond directly to the particular needs and interests of their jurisdictions. Only simple accounting and reporting requirements will be in force.

This revenue-sharing program represents an important new direction in the relationships between Federal Government and State and local governments. It gives our Federal system both a sound financial center and a needed decentralization of control. It will serve as an important supplement to our existing categorical aid programs. I am especially pleased to have this opportunity to describe the major features of our proposal to you, since Senator Mundt, as a long time supporter of revenue sharing, was one of its sponsors when the plan was introduced in the Senate. We greatly appreciate the stront support and interest he has given us.

As I noted earlier, the size of the annual revenue-sharing appropriation will be primarily determined by the level and growth of the American economy. Therefore, the State and local governments will be vitally interested in seeing our Nation maintain a steady and healthy rate of economic expansion. Of course, these governments have always had a strong stake in our economic good health, particularly as the state of the economy affected their tax receipts, operating expenses, and borrowing costs. With revenue sharing there is even more to be gained by State and local governments from non-inflationary economic growth.

The responsibility for national economic policy is one public function which the Federal Government cannot delegate to the states and cities. It can only be exercised from Washington. However, when the Nixon Administration took office last January, the economy was suffering from several years if failure by the Federal Government to exercise that responsibility in a timely and effective manner. As a result, a serious inflation had been permitted to work its way deeply into the fabric of our economic life. We moved quickly and firmly to

to bring the policies of the Federal Government in line with our urgent need to halt the spiral of rising prices, and we are now beginning to see some hopeful signs of success.

But inflationary pressures are currently much too strong for us to assume any complacency. Our policies of economic restraint -- especially our efforts to achieve a significant budget surplus -- must be maintained until inflation is brought under control. For this we must depend on the Congress to approve the revenue measures we recommended last April. Without the extension of the income tax surcharge at the reduced rate of five percent for the first half of 1970, plus the repeal of the investment tax credit and the extension of certain excise taxes, we stand to lose about $4 billion in urgently needed revenues.

A revenue loss of this magnitude would have two serious impacts. First, we would lose most of our fiscal restraint in the budget -- a restraint which is only moderate without the revenue loss. This is not the time to bring about an abrupt easing of fiscal policy. Second, and perhaps even more significant, this $4 billion shrinkage in Federal revenues would mean an equivalent strain on our already tight financial markets. This would be most unfortunate at a time when we might hope that interest rates could begin to ease from their historic high levels. These extraordinarily high interest rates have had a particularly severe impact on the flow of funds into housing and State and local government projects.

It is quite clear, therefore, that our State and local governments have a strong interest in seeing the income tax surcharge extended and the other revenue-raising measures enacted. For a shift in the mix of economic policies to even tighter monetary measures because of an easier fiscal position would seriously upset the essential borrowing efforts of states, cities, and counties.

Thus, at the Treasury we are engaged in two very important efforts to strengthen the fiscal structure of our American Federal system. On the one hand we are working hard to enact a program of revenue sharing -- to provide both the encouragement and the resources for local and state officials to exercise leadership in solving their own problems. On the other hand, we are striving to exercise our unique Federal responsibility for restoring the American economy to a prosperous, growing, and stable

condition. Both these efforts are vital to our national well-being, and I hope you will join me in encouraging the Congress to move forward on both fronts.

My remarks this evening would be incomplete if I did not outline for you the relationship between these two efforts which occupy so much of our attention at the Treasury, and the Administration's total package of domestic policy initiatives. President Nixon's new domestic program has been described by many observers as the most significant Presidential proposal for domestic reform in recent decades. It is significant both for qualitative and quantitative reasons, both for the number of new ideas it presents and for the boldness with which they were conceived. The President's package of proposals included the most striking conceptual change in the history of the welfare program, the most sweeping administrative change in the history of manpower training programs, and this entirely new and different approach to the fiscal relationship between the Federal Government and the states and localities which I have described to you.

Each of these proposals was historic in its own right. Yet the President chose to discuss all of them together, for he saw them as component parts of a single strategy. "They make both a package and a pattern," he observed. "They should be studied together, debated together and seen in perspective."

I look forward to the time, hopefully quite soon, when we have this exciting new package of proposals fully implemented. Their institution will signal a new direction and a new hope for effective government performance. That is an objective which we all must share.

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TREASURY DEPARTMENT
Washington

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FOR RELEASE AT 4:00 P.M. (CST)
MONDAY, NOVEMBER 10, 1969

REMARKS OF THE HONORABLE DAVID M. KENNEDY
SECRETARY OF THE TREASURY
BEFORE
THE AMERICAN PETROLEUM INSTITUTE
HOUSTON, TEXAS
NOVEMBER 10,1969

I am delighted with this opportunity to join you today and participate in this annual meeting of the American Petroleum Institute. Over many years I have had the privilege of attending the annual A.P.I. meeting when held in Chicago, and as a result of working with the oil industry as a banker made many close friends in your industry. In fact, I didn't realize just how many friends I had until they all started writing to share their views with me on some aspects of the tax reform legislation now awaiting Senate action.

When President Nixon assumed the reins of government ten months ago, the problems facing our society were both numerous and complex.

After four years of mounting intensity, the war in Vietnam still defied a permanent and justifiable solution. It had required increased manpower and greater resources, with satisfactory results still not in sight.

The economy was in the grips of an inflationary vise that was squeezing harder and harder on the purchasing power of the dollar.

State and local governments found themselves in the front line of the battle against countless social ills, and yet they lacked the ammunition to wage the fight effectively.

On the international scene we found ourselves high in terms of commitments but low in terms of our standing in many corners of the world.

And to make these challenges more formidable there was a growing doubt among many Americans about the ability of this nation and its institutions to respond to its tangled and entrenched problems. Understandably, this frustration created many tensions in our society.

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No one in the Administration, least of all the President, had any naive notions that these problems would be overcome quickly or painlessly. That is why he resisted the temptation of arousing false hopes by sending a long list of legislative proposals to the Congress early in the session.

Instead the Administration followed the more prudent course of establishing priorities and making certain that proposals were carefully weighed before they were submitted.

Obviously the overriding problem was to find a way to establish a stable peace in Vietnam. The President discussed the background, alternatives, and reasons for his present course of action last Monday night, and I do not need to repeat them here. I will only say that now, one week later, it is clear that the great majority of the American people agree with this policy of a carefully conceived scaling down of our involvement.

The number one domestic concern of this Administration is curbing the inflationary spiral that pushed up the consumer price index by 17 percent between August 1965 and August 1969.

Inflationary pressures and expectations had become deeply ingrained in our economic system and our economic thinking. Businessmen moved full speed ahead on investment programs because they feared they would just have to pay more later for the same projects. Labor leaders demanded larger settlements because they wanted to show a real gain in wages after discounting the increased cost of living. Savers were penalized because their savings, even with interest, would buy no more than the amount they started with. Lenders raised interest rates to compensate for the decreased value of the dollars that would be repaid.

Last January we stated that we were determined to employ restrictive monetary and fiscal policies until this overheated economy was cooled and people no longer believed that inflation was inevitable. This plan has been followed. The Federal Reserve restricted the growth of the money supply, and President Nixon insisted on an anti-inflationary budget surplus.

Some critics claimed that the policies were not sufficiently severe to send the necessary shock waves through the economy to show that we meant what we said.

The press dubbed our approach "gradualism" because we admitted that there would be a time lag before the policies started to take hold.

Now we are starting to see some evidence that these policies are beginning to bite. The indicators, while still mixed, show that we can accomplish our objective if we have the determination to stick with our plan. Premature relaxation of our present policies would only reinforce the notion that inflation is inevitable and that we do not have the backbone to curb rising prices.

Some of the critics who originally claimed our approach was too weak now say that it may be too harsh. Others insist that we should find new tools for stabilizing the economy. They claim that the classic approach of restrictive monetary and fiscal policies cannot be effective with an economy as large and complex as ours.

If this position is proved right, we will have to rewrite all the economics textbooks. The problem in recent years is not that the policies have not worked. The problem is that they were not given a chance to work.

The budget showed a surplus of $3.3 billion for fiscal 1969, the first surplus in nine years. We want to maintain this anti-inflationary budget for the current fiscal year. Our goal is a surplus of $5.9 billion.

This surplus is now in jeopardy on both sides of the balance sheet. Increased congressional appropriations are putting pressures on the Administration to push expenditures above the $192.9 billion level -- a level which the President is determined to hold. And a failure to extend the surtax at the reduced rate of 5 percent through next June and failure to repeal the investment incentive credit could cut into revenues.

The President has pledged that he will observe the budget ceiling he has set even if it means vetoing some bills. The Senate Majority Leader, Mike Mansfield, who controls the scheduling of legislation in the Senate, has publicly stated that he recognized the need for the extension of the surtax and repeal of the investment credit. These measures have been passed by the House on two separate occasions and could be taken up in the Senate as a separate package or as part of the tax reform bill. If the tax reform bill gets slowed down in the Senate or in conference, I feel confident that the Senate will then work its will on the separate measures.

Failure to pass these measures within the very near future could result in a revenue loss of $4 billion in the current fiscal year. This would be a serious setback for all of us who are convinced that monetary policy alone cannot and should not carry too much of the burden in fighting inflation.

While the current tight budget posture is an essential ingredient of our anti-inflationary policy, it has not prevented the Administration from submitting many innovative and sound proposals, some of which would take effect after inflation is brought under control.

The welfare reform bill promises the most dramatic change in our nation's welfare system since the 1930's.

The Administration's revenue-sharing plan will give state and local governments some of the fiscal resources they need to meet their increasing responsibilities.

New legislation to control drug traffic is being sought. This will supplement the heightened enforcement programs now being implemented at all points of entry. The Administration is also working through diplomatic channels to improve cooperation with other governments in suppressing the production and transportation of illicit drugs.

A comprehensive approach to improve the protection of consumer interests has been proposed.

Manpower training programs and reforms in unemployment compensation have been presented.

Draft reform legislation is pending in Congress and, hopefully, will be enacted in the near future.

These are only a few of the major legislative items advanced by the Administration. Together they represent a comprehensive package of proposals to set this nation on a new course.

As you may have noticed in the press, this has also been a somewhat busy year for the Treasury. Tax reform, which I want to touch on in a minute, has received the headlines and has consumed much of our time and energy.

But we also have been involved in numerous other matters. We had to get a temporary increase in the debt ceiling. We sought and hope shortly to obtain an increase in the interest rate we can pay on savings bonds.

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Internationally, we have been successful in winning agreement on activation of Special Drawing Rights by the International Monetary Fund. We have also been deeply involved in negotiations for the return of Okinawa to Japan, and in Operation Intercept, the drug control effort on the Mexican border, which was recently converted to Operation Cooperation.

Now let me turn briefly to the Tax Reform Act of 1969 -- its impact on the nation and its impact on your industry.

I don't think I need to go into detail in describing the genesis of this legislation. It resulted from a growing conviction on the part of many Americans that the Federal tax system is unfair -- that too many people with high incomes were getting by with small tax bills.

As you know, the bill was passed by the House overwhelmingl in August and was ordered reported by the Senate Finance Committee just ten days ago. It is scheduled to be brought before the Senate shortly, perhaps as early as next week. If so, final enactment of the bill may come this year. If Senate debate is excessively drawn out, the legislation may not pass the Congress until early in 1970.

Today I will not go into the details of the bills. Instead, I would like to comment on three general criticisms that have been leveled at the Senate bill: that it is too complex, that it will stifle productive investment, and that it will vastly complicate our battle against inflation.

The fact is that H.R. 13270, if enacted in either the Senate Finance Committee version or House form, will greatly simplify tax computations for millions of taxpayers. Whatever complexities do result will affect primarily those who normally rely on the assistance of expert tax lawyers and accountants.

For example, the Low Income Allowance which President Nixon proposed in April -- and which is included in both versions of the bill -- will remove some 5 million people from the tax rolls. If the Senate Finance version is accepted, these low-income individuals, many of whom are at or below the poverty level, will not have to file returns at all.

In addition, the increase in the standard deduction which will be phased in during calendar years 1971 and 1972 will greatly simplify the computations of another 12 million taxpayers. In the past most of these people itemized their deductions but in the future will find it advantageous to use the standard deduction.

The bias of the bill against investment in favor of consumption has been a source of concern to us, but that thrust should not be greatly overstated. It is true that the bill would raise taxes on corporations by some $5 billion and, on balance, reduce individual taxes by $7.5 billion. What is not commonly understood is that more than half of the corporate rate increase reflects the proposed repeal of the 7 percent investment tax credit.

The Administration proposed this repeal in April after careful consideration of the probable impact on business investment. We concluded that however justifiable in the early 1960's, when investment in this country needed stimulation, the credit was not an appropriate device in the economic environment of the 1970's. We are convinced that the economic policies we are putting in place will maintain the strong markets which provide the only lasting incentive to high capital investment.

Whatever other impact the bill has on business investment has to be analyzed in terms of the particular industry which would pay higher taxes under the bill. By and large, they are all industries which have been paying a relatively low rate of Federal tax. These include financial institutions, your own petroleum industry, and real estate activities. Our analysis convinces us that tax equity can be achieved without undue curtailment of investment incentives. We would be more certain of this if the Senate Finance Committee had acceded to our request for a 2-point cut in the corporate income tax rate, but it did not do so.

Although a tax bill which provides some $9 billion of tax relief for individuals, and an ultimate revenue shortfall of $2-1/2 billion, would appear to be inflationary, the fact is that the Senate Finance version postpones enough of the tax relief provisions so that there is no shortfall until calendar year 1972. In total, the bill -- which includes extensions of the surtax and excises, and repeal of the

investment credit -- is in strong surplus in calendar year 1970 and slight surplus in 1971.

In the short run, therefore, the legislation does not conflict with our anti-inflationary program.

The real concern about the revenue short fall is that we simply cannot foresee today what the revenue needs of the Government will be during the years when the legislation produces a short fall. The short fall climbs to about $3-1/2 billion in 1974, then gradually declines to about $2-1/2 billion by 1979, when substantially all of the phased-in reform measures become effective. During that period, additional revenues may be badly needed, either for inflation control or for pressing national programs. I hope the Senate will take this into consideration as it acts on the bill. The President has made it crystal clear that although he is dedicated to the cause of tax reform, he will not hesitate to veto the bill if the ultimate revenue shortfall is more than the country can stand.

The petroleum industry is one of several industries which will pay more taxes under the Tax Reform Act. This result seemed clear from the beginning of consideration in the House Ways and Means Committee. The question was, in what way and how much?

Inasmuch as this Administration has from the start favored the 27-1/2 percent depletion allowance, we discussed various proposals with the Ways and Means Committee which would have protected the depletion provision. The Committee, and the House, rejected these approaches and voted instead to cut depletion to 20 percent.

As you know, the Senate Finance Committee reduced the amount of the cut to 23 percent, but also provided for a minimum income tax that would in effect reduce the percentage to about 21 percent. Of interest to many producers, however, is the Finance Committee's action in raising the net income limit on percentage depletion from 50 to 65 percent of net income.

What do these provisions mean to the nation and to your industry? Your tax bill will be higher. We estimate that the petroleum industry will pay approximately $400 million in taxes under the Senate Finance Committee bill -- this represents an increase in your effective tax rate

from about 21 percent to approximately 26 percent.

Although the Administration would have preferred a different approach, this modest increase in your tax burden should not unduly curtail efforts to find and develop the petroleum reserves which this nation must have.

Now I would be surprised if everyone of you agreed completely with everything the Administration, or the Treasury, is doing. But I do think it is a good exercise occasionally to view the total package to get a better fix on the directions we think this nation should be taking.

We are scaling down our involvement in Vietnam. But it cannot and should not be done in a precipitous manner.

We are slowing the economy so that rising price levels will not be a permanent part of our way of life.

We are attempting to increase the efficiency of government operations by putting resources at the command of state and local governments which are facing increasing responsibilities.

We are gaining increased respect for this nation around the world, while at the same time reducing our far-flung commitments.

These programs and approaches offer some startling new departures. We Americans have never been known for our patience. That has always been one of our strong points. And I do not want to underestimate the importance of creative restlessness. But I do feel that the times and circumstances call for controlled impatience rather than simply making rapid changes in direction just for the want of apparent activity.

I hope this government can count on your support as we try to deal with these military, social, and economic problems. Change is the nature of our society. Let's work to make sure these changes are prudently planned, and effectively implemented. If we do, I am sure the Nixon Administration will be able to make a major contribution to an enriched life for all Americans.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

November 7, 1969

FOR IMMEDIATE RELEASE

TREASURY ANNOUNCES SPECIAL PROCEDURES TO
ISSUE SUBSTITUTE RETIREMENT CHECKS

The Treasury said today it has instructed urgent procedures to issue substitute checks for those reported missing in Virginia localities near Washington and the Norfolk area.

Several hundred Civil Service retirees in Virginia have reported that their November 1 retirement pay checks have not been received. These checks, the Treasury said, were released to the Post Office Department by the Treasury's Disbursing Center in Washington on Wednesday, October 29, to be delivered on Saturday, November 1.

The Treasury said that those Civil Service retirees in Virginia who have not received their November check should take immediate action, depending upon their locality:

> Those living near Washington and who can, should visit the Civil Service Commission, Bureau of Retirement and Insurance, 1900 E Street, N.W., to complete a non-receipt form.
>
> Those for whom such a visit would be difficult or impractical should write to the Commission, explaining the problem, and giving their Civil Service account number.

These non-receipt letters or forms will be immediately processed and dispatched to the Treasury Disbursing Center. The Treasury Department is geared up to issue substitute checks within hours of receiving the letters or forms.

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TREASURY DEPARTMENT
WASHINGTON, D.C.

FOR RELEASE UPON DELIVERY

REMARKS OF THE HONORABLE EDWIN S. COHEN
ASSISTANT SECRETARY OF THE TREASURY FOR TAX POLICY
BEFORE THE
TWENTY-EIGHTH ANNUAL NEW YORK UNIVERSITY
INSTITUTE ON FEDERAL TAXATION
HOTEL COMMODORE, NEW YORK, NEW YORK
TUESDAY, NOVEMBER 11, 1969, 8:00 P.M., EST

Tax Equity and Tax Incentives

I am delighted to have the opportunity of speaking to you this evening at this 28th Annual Institute on Federal Taxation. It is appropriate, I suppose, that this occasion falls on Veteran's Day. I believe that I first spoke to this Institute at the Fourth Session in 1946 and it has been my pleasure to participate in many subsequent programs.

Moreover, I am fast becoming a veteran in tax reform legislation. We have recently completed three and a half weeks of executive sessions of the Senate Finance Committee on the Tax Reform Act of 1969, and prior to that some three months of similar sessions of the Ways and Means Committee. In addition, we have appeared at public hearings of both committees in support of the Administration's tax reform proposals.

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The Senate Finance Committee has ordered the bill reported and the revised version of the bill and the committee report should be available shortly.

It was a privilege to participate in the long and arduous executive sessions of both committees. The chairmen of the committees, Congressman Mills and Senator Long, and the ranking Republican members, Congressman Byrnes and Senator Williams, provided strong and able leadership and the committee members were dedicated to the urgent task of tax reform. While one may agree or disagree with specific decisions, the country owes, I believe, a sincere debt of gratitude to these men for their untiring efforts to bring forth this vital tax reform legislation within the limits of an urgent time schedule.

Improvement of the equity of the Federal tax structure is a cardinal objective of the bill. It accomplishes this in a number of different directions. Among the foremost of these is the Low Income Allowance, which the Administration proposed in April to remove from the tax rolls all those whose income is below the poverty level. This will render nontaxable some five million persons at the bottom of the economic scale who now are required to pay tax. For example,

it will provide that a single person will pay no tax unless his income exceeds $1,700; a married couple without dependents will be taxed only if their income exceeds $2,300, and the minimum rises further $600 for each dependent. It accomplishes this at a cost of only $625 million and it is to be effective January 1, 1970.

The Low Income Allowance should be a major boon to students who work during their years of higher education, as it raises for them the level of their nontaxable earnings from $900 to $1,700. In addition, the Finance Committee has adopted recent Treasury proposals to eliminate the need for filing income tax returns when income is below the new levels of nontaxable income; and it eliminates the need for withholding--on summer jobs, for example--when the employee certifies that he estimates he will owe no Federal income tax for the year and, in fact, owed no tax for the preceding year.

Another notable change will produce greater equity for single persons, whose tax liability under existing law can be as much as 40 percent above that of a married couple with the same income. The Finance Committee has adopted a rate schedule for single persons that will assure them that their tax will not be more than 20 percent above that

payable by a married couple with the same income.

The Tax Reform Act focuses the spotlight of attention on the use of incentives, or tax preferences, in the Federal income tax law. In the more than half century history of the Federal income tax, there have been many provisions inserted in the law for the purpose of stimulating investment in particular types of property or other expenditures deemed desirable in the national interest. They act as inducements to particular types of private investment or expenditures.

Some of these provisions, such as the investment credit, have been enacted after much debate, with the expressed intent of stimulating certain kinds of expenditures. Others have resulted without studied forethought. In this latter category, for example, we might place the deduction of interest not connected with business or the production of income. Thus the deduction of home mortgage interest has acted as a stimulant to home ownership, to cooperative apartments and to condominiums in preference to the renting of homes or apartments.

Every preferential provision in the tax law serves to reduce the tax of those who take advantage of the

preferences and reduces the revenue yield to the government derived from the tax. Thus we can attempt to put a price tag on each of the preferences by estimating loss of revenue to the government resulting from the existence of the preferences. We should then decide whether the benefits derived by the nation from the existence of the tax preferences are worth the price tag. This cost-benefit analysis is of primary importance in evaluating the desirability of the preference and should be made at frequent intervals as a matter of continuing concern.

We must also take into account that each of these preferences tends to shift the burden of the income tax from one taxpayer to another. Since the government needs a certain level of revenue to finance its needs, the preferences utilized by some taxpayers will cause a shift of a higher burden on those taxpayers who either do not choose to take advantage of the preferences or are not able financially or otherwise to do so. The preferences can, therefore, create significant inequities in the tax structure.

This is particularly true where adequate limits are not placed upon the extent to which the preferences may be

used. In many provisions in the law we do put limits on the particular incentive. For example, the income tax law encourages donations to charity by allowing deduction for such contributions. This is an incentive to charitable giving, since it reduces the donor's tax at his highest bracket. But historically the law has limited to a prescribed percentage of adjusted gross income the amount of charitable contributions that are deductible. Thus while a person may reduce his tax payments to the Federal government by virtue of his charitable contributions, he cannot generally eliminate all tax by this route. Only in the case of a few individuals who are able to meet the requirements of the so-called "unlimited charitable contribution deduction" can tax liability be eliminated entirely through making contributions, and this provision is being phased out in the pending Tax Reform Act.

But other incentive provisions of the law contain no limits on their use. For example, there are no limits in the provisions regarding the use of accelerated depreciation on real estate, of accelerated depreciation on personal property involved in net leases, of intangible drilling expenses in the oil and gas field, or of farm losses calculated under a cash method of accounting. Because of the lack

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of any limits, an individual making use of these provisions can eliminate entirely his tax liability to the government while enjoying a substantial cash flow and a substantial economic income, and while growing steadily in wealth.

To foreclose this possibility the Administration proposed in April 1969 that in addition to any revision of the preferences separately, there should be imposed an overall limit for each individual on the extent to which he could offset his income by resort to these incentives. The basic concept of this proposal was that, assuming the desirability of the incentive provisions in the law, there is the competing consideration that every citizen should make some meaningful contribution to the cost of maintaining the Federal government, commensurate with his ability to pay. He should not be able to offset that responsibility fully by resort to the preferences.

We proposed, therefore, that there be enacted a Limit on Tax Preferences (LTP) under which the amount deductible on account of these preferences could not exceed in any year more than half of a person's income calculated before allowance of the preferences. Thus a person with $200,000 of taxable income, calculated before allowance of the preferences, could use the preferences to reduce his taxable

income to $100,000 but not below that amount. We provided for a five-year averaging device, for transitional rules and other ameliorating provisions. The House of Representatives adopted this general concept in the bill which it passed and sent to the Senate.

We also recommended, and the House bill also provides, that personal deductions of a taxpayer should be allocated between the taxable portion of his income and the portion rendered nontaxable because it is offset by use of the incentive provisions. Only those personal deductions which were allocable to the taxable portion of his income could be deducted.

The Senate Finance Committee has reached a different solution to the problems of incentive provisions and their effect upon the equity of the tax structure. The committee has voted to delete from the bill the Limit on Tax Preferences and the Allocation of Deductions provisions and to substitute for it a five percent tax on the dollar amount of the preferences, in excess of $30,000, used by the taxpayer each year.

This is an entirely different approach to the problem. The five percent tax would be payable on all the preferences taken in excess of $30,000 a year, regardless of the amount of income on which the person is otherwise paying tax. For

example, if a married person with $200,000 of taxable income before deducting preferences has $100,000 of preferences in accelerated depreciation on real estate, he would pay on his net taxable income of $100,000 a tax of about $41,500 (using the rates applicable in 1972 and subsequent years). He would pay no additional taxes under the Limit on Tax Preferences in the House bill since his preferences do not exceed half of his income, but he would have personal deductions reduced to the extent allocable to his preferences. Under the Senate bill he would pay a special tax at five percent on $70,000 (the excess of his $100,000 of preferences over the $30,000 allowable amount) or a tax of $3,500 in addition to his regular tax of about $41,500.

If this person with $200,000 of income offsets it fully by virtue of $200,000 of preferences, he would pay no tax under existing law. Under the Senate Finance Committee provision he would pay a tax of $8,500 (five percent of $170,000--the excess of preferences of $200,000 over the $30,000 allowance) Under the Limit on Tax Preferences, however, this person would have had to pay tax on not less than $100,000 of net taxable income--a tax of about $41,500.

The five percent tax is estimated to raise some $700 million, when fully effective, whereas the Limit on Tax Preferences and Allocation of Deductions provisions under our revised proposals to the Senate were estimated to raise some $540 million in total. The five percent tax raises so much revenue, despite its relatively low rate, because it is applicable to corporations as well as to individuals, and more than half of its estimated yield would be derived from corporations. The LTP and Allocation proposals were applicable only to individuals. The burden of the five percent tax on individuals is less than that under the LTP and Allocation proposals, but a substantial additional burden is imposed on corporations.

In general, the Finance Committee version is less onerous than the House bill for the taxpayer who is using the incentive provisions beyond half his income determined without the preferences, but imposes more tax than the House bill upon the person who is using them to a more modest extent. It does accomplish a prime objective of seeing that the persons using the preferences pay some tax to the Federal government. Yet the tax they pay will be at a flat low rate.

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A major effect of the five percent tax would be simply to water down the tax savings stemming from use of the preferences beyond the $30,000 exemption. For example, assume that an individual or corporation has $100,000 of oil and gas royalty income, that the depletion rate is 23 percent as set by the Finance Committee and that the taxpayer has used up his $30,000 exemption in other items. His depletion allowance would be $23,000. If he is in a 50 percent tax bracket the depletion would save him $11,500 in tax. But the five percent tax would then cost him $1,150, leaving him a net tax saving of $10,350. This would have the same effect for him as though, instead of imposing the five percent tax, the law reduced the depletion allowance from 23 percent to 20.7 percent; for if his depletion allowance were $20,700 it would have given him, at a 50 percent income tax bracket, a tax saving of $10,350--the same saving that he nets from 23 percent depletion with a five percent tax imposed on percentage depletion.

The five percent tax would apply to a much longer list of preferences than are affected by the House bill. For example, it would apply to the excluded portion of long-term capital gains, and thus in combination with other changes in the bill could raise the effective tax on long-term capital gains to close to 35 percent in some cases. The five percent tax would also apply to the difference between the option price and the market value at time of exercise of qualified stock options. It includes the amount of deductions for interest on indebtedness incurred to purchase or carry investments to the extent the interest paid exceeds current investment income. It also includes the special bad debt allowances of financial institutions, and hence reduces the special effects of those provisions.

The Senate Finance Committee version of a minimum tax is so different in concept and effect from the House bill that it is difficult to predict at this time how they might be adjusted in the conference between the two Houses.

The pending bill significantly reshapes the incentive provisions of existing law with respect to real estate. The allowance of accelerated depreciation and the limited recapture of depreciation under Section 1250 on sale of real property have produced substantial preferences in favor of real property construction and acquisition. Our studies indicated that these preferences had proved excessive in some respects. Nevertheless the Housing Act of 1968, which was designed to enlist private capital to produce 26 million additional housing units within the next decade, was drawn with existing real estate preferences in mind. Any substantial change in the tax provisions affecting new construction of multi-family housing would require reconsideration of the housing program.

Hence the Tax Reform Bill, while reducing the incentives applicable to real estate generally, retains the present accelerated depreciation provisions for new housing. In addition, under the Senate Finance Committee version the recapture of depreciation rules will be more favorable to new housing than to other types of real property, particularly so with respect to publicly assisted housing programs under which the return to the investor is tightly limited.

Furthermore, the bill contains a provision that the Treasury and the Department of Housing and Urban Development recommended to permit five-year amortization of the costs of rehabilitating certain rental housing. The present law, it has frequently been observed, creates a preference either for destroying old structures and replacing them with new, or for purchasing old buildings and taking 150 percent declining balance depreciation on the purchase price. It discourages rehabilitation since the costs must be capitalized and depreciated over a long period.

The pending bill would limit depreciation on purchased old buildings to straight-line and would put emphasis on rehabilitating the old rental housing structures through allowance of the fast write-off for such rehabilitation costs. We hope that this will encourage projects to remodel existing structures in the heart of our cities. It should help to preserve the unique architecture and historical values of residential areas in our cities as an alternative to holding them in tawdry condition or to applying the bulldozer at every turn.

As with many incentives when they are first introduced, no one can be sure that they will attain the desired

objective or will be worth the revenue cost. Hence the bill as reported by the Senate Finance Committee will limit the amortization of rehabilitation costs to those incurred before January 1, 1975. This will provide an opportunity to study the effectiveness and cost of the new amortization provision and to reshape, extend or terminate it as the experience of the next several years proves desirable.

A constant watch on the cost of tax incentives and periodic reexamination of their individual merits seem essential to the maintenance of the integrity and equity of the tax structure. This is as true of tax incentives as it is of appropriations. Each has its merits and its demerits, and each may encompass the possibilities of abuse and of continuation without thorough reappraisal. While in the main appropriations are reviewed annually, once started they have their own momentum for continuation and expansion.

Tax incentives, if carefully designed and explicitly described and circumscribed in the statute, have advantages in some areas in their simplicity of operation, in the reduction of bureaucracy and in the enlistment of private capital toward the attainment of national goals. They must

be approached with caution, bathed in the floodlight of public attention and scrutiny and weighed in the balance with the obvious need of maintaining the equity of our tax system. They require the constant attention of those in government and those, such as you, who as students of the tax law are so vitally interested in its design and in its successful operation.

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TREASURY DEPARTMENT

WASHINGTON, D.C.
November 12, 1969

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 $3,000,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing November 20, 1969, in the amount of $2,902,408,000, as follows:

91-day bills (to maturity date) to be issued November 20, 1969, in the amount of $1,800,000,000, or thereabouts, representing an additional amount of bills dated August 21, 1969, and to mature February 19, 1970, originally issued in the amount of $1,202,422,000, the additional and original bills to be freely interchangeable.

182-day bills, for $1,200,000,000, or thereabouts, to be dated November 20, 1969, and to mature May 21, 1970.

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Monday, November 17, 1969. 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

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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 November 20, 1969, in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 20, 1969. 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 OF THE HONORABLE MURRAY L. WEIDENBAUM
ASSISTANT SECRETARY OF THE TREASURY FOR ECONOMIC POLICY
BEFORE THE FALL MANAGEMENT CONFERENCE
GRADUATE SCHOOL OF MANAGEMENT, NORTHWESTERN UNIVERSITY
CHICAGO, ILLINOIS
WEDNESDAY, NOVEMBER 12, 1969, 2:00 P.M., CST

DEFENSE SPENDING AND THE ECONOMIC OUTLOOK

Important developments are taking place in the national defense sector which have significant implications for the Federal budget and the economy as a whole. The essential facts are public knowledge, but they seem not to have received the attention they deserve.

The fact of the matter is that military expenditures -- and more important the leading indicators of defense activity, which foreshadow changes in the months ahead -- have passed a crest and are now receding. This is now helping in a significant way to reduce the inflationary pressures that are present in our economy. Somewhat further in the future there lies the prospect of a sizable release of budgetary resources from the defense effort into high priority domestic programs.

I suppose it is somewhat ironic that an alumnus of the Bureau of the Budget and a former economist for a major defense contractor should come here to talk about defense

spending in neither capacity. But I notice from page 9 of the latest Monthly Treasury Statement of Receipts and Expenditures that the Treasury paid about $6.6 billion in Defense Department bills in September which should entitle me to say something on the subject. As some may recall, I had quite a lot to say about defense expenditures during 1966 and 1967 without benefit of organizational support. A voice from the wilderness, or perhaps it was a chorus, tried to stress the inflationary nature of the economic and financial impact of the defense buildup then underway, a process which was somewhat shielded from view at the time, in part, by the inadequacy and limited understanding of our statistics.

During that unfortunate miscalculation of economic policy in the period of the Vietnam buildup, many of us were urging improvements in the Federal Government's statistical reports in order to obtain better indications of changes in the military demand for goods and services. I am pleased to report that the Census Bureau now issues each month a publication, Defense Indicators, which is a most useful compendium of information for those of us concerned with evaluating the impact of Federal fiscal policy. The present is one of the times of change in the spending patterns of the public sector when such data are of particular use.

What is the current situation with respect to the advance indicators of defense activity? The main point is that a significant decline has occurred in the key measures of defense activity for the past year or so. Let me emphasize: There has been an absolute decline, not just a slower rate of increase. I find it useful to work in terms of quarterly averages in order to avoid the possibility of the analysis being obscured by the erratic movements which occur in a particular month. Using the latest available quarterly data, we find that by the middle of this year:

- -- Defense Department gross obligations incurred (contracts awarded and other commitments made) were running 12 percent below a year earlier, and 20 percent below the peak rate last year.
- -- In the procurement area, gross obligations were down 34 percent from last year's peak.
- -- Military prime contract awards were running 24 percent below a year earlier in the second quarter before edging up a bit.

In July and August, military prime contract awards continued to run below a year earlier. Make no mistake about it, the softening of these advance defense indicators is a significant development in terms of the control of inflation. As Secretary of Defense Melvin Laird pointed out

recently, the intermediate and final indicators of the impact of defense spending -- what the National Bureau of Economic Research would term the coincident and lagging indicators -- are still at historic highs. But as we know, they tell us where we are -- actually where we have been rather than where we are going. It is the advance or leading indicators that matter in terms of the future. And these leading indicators point clearly to a sharp reduction in inflationary pressures from the defense sector.

These advance indicators to which I have referred are measured in current dollars. This is ordinarily the form in which they are compiled and used. Nevertheless, there is also interest in having at least a rough idea of the defense sector's demands on the economy in real terms, i.e., after correction for price changes. We know that everything costs more than it used to, defense equipment as well as civilian goods. But how does current military demand compare with that of the recent past in terms of claims on real resources? No precise and statistically exact answer can be given to this question. However, after approximate adjustment for price change it appears that:

-- Total Defense Department obligations in the second quarter of this year were running at about the levels of late 1965 and early 1966.

-- Obligations for procurement were running at about the levels of late 1964.

-- Military prime contract awards were running at about the levels of early 1965.

These comparisons can only be suggestive. But they do imply that in real terms the defense sector may soon be making no greater claims on real resources that it did in the pre-Vietnam buildup period. Just how soon this might be the case, it is hard to say. And this would not mean, of course, that defense expenditures in current dollars had returned to the earlier levels. The same output now costs much more.

Some perspective is useful here. During World War II, about half of our economy was devoted to war production. During the Korean War, the ratio was about 15 percent. At present, the military share of our Gross National Product is about 8-1/2 percent, down from 9 percent in 1967 and 1968. We clearly have achieved some measurable reduction in the relative importance of defense spending in the American economy.

There are encouraging signs that the defense budget will be coming down in an absolute as well as a relative sense. Secretary Laird has pointed to the following actions

already taken or planned to be taken in the current fiscal year:

-- a $4 billion reduction in expenditures.

-- an $8 billion cut in budget authorizations.

-- a 220,000 man reduction in military manpower.

-- a 68,000 man reduction in the civilian work force of the Department of Defense.

It is still too early to be making anything more than an educated guess as to where defense expenditures may be set for fiscal year 1971. Key budgetary decisions are yet to be made. But current trends are in an encouraging direction.

* * *

Looking beyond the immediate future into, say, the mid-1970's, there is the prospect of a more sizable release of Federal budgetary resources. Will there be a "peace dividend"? If this is defined as a reduction in U. S. military expenditures for Vietnam following the cessation of hostilities in Southeast Asia, certainly there should be a dividend, and a sizable one. But, if we are referring to the net expenditure-revenue position from now on out to the mid-1970's, the answer gets a bit more complicated. There are already very heavy pressures for expenditure increases. Just how much of a net "dividend" will remain depends upon quite a few developments.

First of all, in the military area itself, some requirements have been put aside temporarily because of the Vietnam effort. For example, in real terms, total expenditures on defense research and development are perhaps lower than the pre-Vietnam level, despite the new needs related to Vietnam. This could mean a substantial amount of "catch-up" spending. Also, new military needs arise. Various new strategic and tactical aircraft, missile, and ship systems are being considered, often to replace obsolescent weapons of fairly considerable vintage. In addition, some defense inventories have been permitted to decline. As a consequence, some of the so-called peace dividend will probably be used up in the defense area itself.

Second, the price tag on existing defense and nondefense commitments rises with the price level itself. But even with a stable price level, population growth will cause some increase in many areas of civilian expenditures. Clearly, of course, outlays for veterans' services and benefits will be expanding in the next few years as newly-discharged servicemen qualify for education and training, health, and other government assistance.

Third, President Nixon is, himself, committed to a carefully chosen set of new programs, ranging from welfare reform to improved manpower development and training activities.

Among those programs is the proposal for revenue sharing. By the mid-1970's, this could be allocating $5 billion or so of Federal revenues to the states and localities. The Treasury had a good bit to do with the development of this proposal which, I think, is a very practical and essential undertaking if we are to make the "New Federalism" a reality. But, like so many other good things the Government thinks of doing, the program has a price tag in the Federal budget.

By now, I am sure you see that in the "peace dividend" context, the answer depends a great deal on where the expenditure level is drawn. One thing we can be sure of: the grand total of possible, and seemingly desirable, expenditure increases far outruns the capacity of the revenue system to pay for them. The post-Vietnam fiscal outlook is not one of great liberality. Hard budgetary choices will continue to be the order of the day.

One thing I do believe. The achievement of peace in Vietnam, in addition to the obvious social and humanitarian benefits, will also have important favorable economic effects, given the current state of the American economy. For one, it would represent a reduction in inflationary pressures and, hence, on money and credit markets and interest rates. Secondly, it would ease the budgetary outlook and

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to some extent make more resources available for civiliam programs related to the cities, the environment, and so forth. Third, it would make possible a substantial improvement in our international balance-of-payments position, because so much of the current deficit is attributable to the Vietnam War.

To sum up: Advance indicators of defense activity point to a substantial lessening of inflationary pressures from the military sector. Beyond the near term, a further reduction in defense expenditures could be expected to follow an acceptable Vietnam settlement. But pressures for higher nondefense expenditures, as well as new weapon systems, will continue to be very heavy. Careful management of the national finances will be needed to get the economy back onto a non-inflationary path and keep it there.

Although it is always pleasant to contemplate the favorable aspects of future prospects, let us not forget the needs of the current situation. We continue to face substantial inflationary pressures. Extension of the income tax surcharge through the middle of 1970 is essential in order to regain reasonable price stability. The successful completion of our domestic war against inflation will provide the necessary groundwork for real and rapid growth in employment, production, and living standards.

Any examination of the military sector of the United States, such as the one on the agenda of this conference, needs to keep in mind the central role of a strong and healthy economy as the basis for continuing to maintain an effective national security posture.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

November 13, 1969

FOR IMMEDIATE RELEASE

ENGRAVED PORTRAITS OF PRESIDENT RICHARD NIXON
NOW AVAILABLE FROM BUREAU OF ENGRAVING AND PRINTING

The Bureau of Engraving and Printing today announced the addition of the portrait of President Richard Nixon to its collection of engravings of all the Presidents.

This bust portrait is available in two size images, approximately 2 by 2½ inches and 4 by 5 inches. A photograph of the President, taken just prior to his inauguration by the well-known photographer, Philippe Halsman, was selected by The White House as the subject matter for the Bureau portraits.

Portrait engraving is an art little used today, except in the production of securities. The artistry of the craft lies in the delicate gradations of tone and the third-dimensional and lifelike effect of the finished rendition.

The print was produced by the same process employed in the printing of United States currency and postage stamps.

Copies of President Nixon's portrait are available from the Bureau at 60 cents each for the small size and $1 each for the large. Orders for the prints accompanied by either check or money order should be addressed to the Bureau of Engraving and Printing, Washington, D. C. 20226.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

November 13, 1969

FOR IMMEDIATE RELEASE

FRENCH TAX TREATMENT OF U.S. PORTFOLIO INVESTMENT TO BE REVISED

The Treasury Department announced today that the French Government has agreed to grant American shareholders with portfolio investments in French companies a cash refund of one-half the French tax collected at the corporate level. This payment is similar to the tax credit now granted to French shareholders in French corporations. (In France this credit is known as the "avoir fiscal.") The new rule will not apply to a U.S. corporation which owns 10 percent or more of the stock of the paying French corporation.

The contemplated change in the French tax treatment of American shareholders will be incorporated in a modification of the existing income tax convention between France and the United States and is to be submitted to the U.S. Senate for advice and consent to ratification. The effective date is expected to be January 1, 1970.

An example of the operation of the "avoir fiscal" is as follows: Under French law, a corporation with profits of $200 would pay a corporate tax (at the rate of 50 percent) of $100. If the remaining $100 of after-tax earnings is distributed to a French shareholder, one-half of the $100 tax collected from the corporation is regarded as having been paid on behalf of the shareholder, who receives a tax credit of $50. The French shareholder includes the amount of credit in his income. He has income of $150 ($100 dividend and $50 credit).

He then takes the $50 credit against the resulting tax as follows:

Corporate Profits	200
Tax at Corporate Level............	100
Amount distributed to French Shareholders.............	100
Credit included in Income	50
Total dividend income to French shareholder.............	150
Tax (at assumed 35 percent rate).	52.5
Credit........................	50
Tax Due	2.50

If his tax is less than the credit, he is entitled to a refund.

The same principle will in the future be applied by the French Government to U.S. shareholders, except that a cash payment will be made to the U.S. shareholder by the French Government in lieu of the tax credit allowed to a French shareholder. If a French corporation declares a $100 dividend payable to a U.S. shareholder, the shareholder receives the $100 from the corporation plus $50 from the French government, or a total of $150, less the French withholding tax (set by treaty at 15 percent) on the gross amount ($150 x 15 percent = $22.50).

For U.S. tax purposes, the American shareholder who receives a $100 dividend plus a $50 refund must include the full $150 in his gross income and is entitled to a credit against his U.S. tax for the amount of French withholding tax on the gross amount -- $22.50 in the example above. At present the U.S. shareholder receives $100 less $15 French withholding tax and includes the $100 dividend in his taxable income. He claims a credit of $15 with respect to that amount.

Upon enactment of the Interest Equalization Tax Extension Act of 1969, that tax will continue to be applicable to the acquisition of French portfolio securities by United States persons.

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Treasury Department
Washington

FOR RELEASE ON DELIVERY

STATEMENT BY THE HONORABLE PAUL A. VOLCKER
UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS
BEFORE THE
SUBCOMMITTEE ON INTERNATIONAL EXCHANGE AND PAYMENTS
OF THE JOINT ECONOMIC COMMITTEE
ON FRIDAY, NOVEMBER 14, 1969, AT 10:00 AM

This Subcommittee has come to play a most valuable role in the never-ending task of keeping our international financial arrangements abreast of the needs of the times. You have promoted informed public discussion of important issues too often considered the preserve of experts, prodded practitioners to seek new and better solutions, and -- not least -- provided leadership and support when the need for change has been demonstrated. I am pleased to assist in this process this morning by discussing U. S. policies related to the proposed increases in International Monetary Fund quotas and the two-tier gold market arrangements.

I am doubly pleased that we can consider these matters against a backdrop of relative calm in international financial markets. The recurrent stresses and strains characteristic of recent years have been symptoms of underlying imbalances

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within and among national economies, as well as of some shortcomings in international financial arrangements. It would be too much to claim these problems are all behind us. But I think we can see some tangible and significant progress toward dealing with a number of the principal sources of uneasiness.

The evident strengthening of the external position of the United Kingdom, the adjustment of the French franc parity without serious disturbance, and the wise and courageous action of the new German Government in revaluing the mark have together removed the main sources of immediate speculative tensions. More than that, I believe they have helped establish a solid footing for moving ahead to deal simultaneously with remaining external and internal imbalances.

For instance, by making imports relatively cheaper and dampening strong incentives to divert current production into foreign markets, the revaluation of the mark should -- at one and the same time -- assist the German Government in dealing with emerging inflationary pressures at home and significantly improve the prospects of achieving a better equilibrium in external trade flows.

Accompanied by effective, sustained policies of internal fiscal and monetary restraint, the new exchange rate for the franc provides a basis for orderly restoration of the French competitive position. In weathering the strains of the past year -- and with clear signs of basic improvement now showing through in recent trade and balance of payments data -- sterling need no longer be a focus for speculative pressure.

The sense of greater stability fostered by these recent developments in particular countries had been strongly reinforced, I believe, by the multilateral decision at the IMF meeting to move ahead with the creation of Special Drawing Rights in the sizable volume of $9.5 billion over the next three years. This decision has been clearly presaged by intensive preliminary discussion through the Summer. Nevertheless, the formal activation decision -- taken with only one abstention -- emphasized the extent of the consensus to move forward into a new era of managed reserve creation. More broadly, this wide agreement about so sensitive a subject as international money creation seems to me the best possible omen of our capacity to deal cooperatively with the problems in other difficult and complex areas.

Indeed, this process of monetary cooperation is now reflected in the fact that, as a result of discussions by the Governors of the Fund at the Annual Meeting, the Executive Board is now preparing to examine carefully and systematically the possible usefulness of introducing a somewhat greater degree of flexibility into the exchange rate mechanism. Study of this matter will take time. A wide variety of points of view must be brought to bear, many of which stem from the basically different economic circumstances in which various countries find themselves. It is far too soon to pronounce judgment on what, if any, specific proposals will pass the test of practicality and widespread usefulness. Certainly, we want to be imaginative in seeking ways to eliminate rigidities that inhibit the adjustment process or tend to build up incentives to speculation. But we also want to take prudent care that, in making changes, we do not undermine the broader stability and disciplines of the system as a whole -- stability and disciplines that provide an essential base for expanding trade and orderly planning and investment decisions. I can assure you that the United States will be actively participating in this joint effort in this spirit.

The series of crises and near crises in international financial markets that have been characteristic of recent years have been a prod for constructive change. But we can also take some satisfaction from the fact that massive speculative flows have been absorbed and contained without rupturing the basic international financial structure or impeding the growth of trade. Our defenses have been tested, and they have stood firm.

Nowhere has this been more striking than with respect to the new gold market arrangements introduced in March of 1968 -- the so-called two-tier system. In essence, the decisions taken at that time separated dealings in gold among national authorities from the vagaries of industrial and speculative demands and new production in the private markets. The immediate result was to break the link between currency disturbances or speculation and a drain of gold from official stocks into private hoards -- a link that, in practice, had become self-reinforcing. Instead, speculation in gold now spends itself in fluctuations in the price in private markets. The process is self-limiting, as the rising price of an asset that yields no return simply increases the risk of subsequent loss.

Since the two-tier system was introduced, we have, in fact, seen the private price move over a considerable range in the leading markets. The upper end of that range, at about $44 an ounce, was reached in the course of the first year -- a period when the market was growing accustomed to the new arrangements even while the supplies of newly-mined gold released to the market were unusually light. Since March of this year, the trend has generally been downward. The current price happens to be close to the lowest point since the two-tier system was established.

At least to those not actively participating in the market, the forces pushing the price in one direction or another at a given time are often obscure. But what is important is that fluctuations in the private price have increasingly come to be viewed as a characteristic of what is essentially a commodity market, with limited significance for the monetary system. Indeed, the private market reacted only slightly, if at all, to some of the more severe currency crises of the past year. The price movements that have developed in response to private forces and interests only seem to reinforce the wisdom of separating our basic monetary arrangements from the vagaries of this market.

The existing national stocks of some $39 billion of gold of course remain the most important single element in official world reserves, accounting for somewhat over half the total. I believe gold will continue to have an important role in the monetary system as far ahead as we can foresee. The institution of the two-tier system recognizes that, relative to other reserve assets, the role of gold will decline over time as the need for total reserves grows. Indeed, operation of the two-tier system must assume the creation of acceptable reserves in other forms.

In this sense, the SDR is a natural complement. Within three years, the volume of SDR's will be the equivalent of, roughly, one-fourth of the entire official stock of gold.

On the basis of performance, I believe the two-tier system must be judged a success. This is true despite the fact that it has not been possible so far to reach an understanding with the world's largest gold producer -- South Africa -- as to appropriate means by which it might wish to handle its newly-mined gold within the framework of the generally accepted arrangements. Normally, South Africa accounts for almost 80 percent of all new production.

South African authorities have indicated that, as a practical matter, a substantial portion of this production has been channeled to private hands at premiums over the official price. Unlike other gold producers, however, South Africa has also chosen to withhold a portion of its potential supply from the private market. The manner of handling South African gold has, of course, been a recurrent element of market uncertainty that I doubt is in anyone's long-term interest. That is why I remain hopeful that an understanding can ultimately still be reached as to the appropriate methods of handling South African sales within the framework of the best interests of the system as a whole.

Consistent with the basic premises of the two-tier system, I am aware of no attempt by official institutions to profit from the higher price of gold in private markets by official sales. Moreover, the collective judgment embodied in the March 17, 1968, Communique that there is no need to add to reserves in the form of gold from the private markets has been reflected in the abstention of all major countries from purchases of South African or newly-mined gold, apart from certain transactions arising from the normal mechanism of the IMF.

The exceptions to this practice, to the best of my knowledge, have been confined to a very few, small countries. These purchases seem to me to have been distinctly unfortunate. Obviously, the amounts of gold involved have not, in themselves, impaired the effective operation of the two-tier system. Nevertheless, all countries and all central banks seem to me to share a common responsibility for maintaining the health of the system as a whole, from which all benefit. In this instance, the proper expression of this common responsibility seems to me a willingness to abide by the generally-accepted implications of the two-tier system.

In a world of more than 100 countries, misunderstandings of the purpose and importance of the new arrangements are, of course, possible. In those few instances where some question has come to our attention, we have, naturally, communicated our views directly to those concerned. On this basis, I feel confident that the basic principles inherent in the two-tier system are increasingly well understood.

In announcing these hearings, your Chairman correctly noted that new gold has entered the monetary system from South Africa as a by-product of certain IMF transactions.

Some $100 million of South African rand have been drawn from the Fund since the beginning of the two-tier system. In addition, as reviewed earlier in an exchange of letters between Messrs. Reuss and Widnall and Secretary Kennedy published last Spring, in certain circumstances South African drawings from the Fund may be repaid in gold. A total of $50 million was involved in such repayments last Summer.

These transactions follow long-standing IMF procedures, and the United States has not felt it necessary or desirable to raise questions about these particular applications of established procedures so long as no clear record developed of their repeated use simply to divert gold from the private market. This has not been the case so far. The use of rand in drawings has not been out of proportion to the use of other currencies, on the basis of established criteria. So far as the South African drawing in the Spring was concerned, Secretary Kennedy noted, in his letter to the Chairman, that:

> " . . . We have long supported the concept that gold tranche drawings be virtually automatic, and we continue to believe that no doubt should be cast on the ability of a country to mobilize these funds promptly should it deem a need exists. I am convinced that

should experience show that the privilege is being abused by repeated drawings and repayments unrelated to the basic objectives of the IMF, adequate means exist to effectively halt such practices."

Your Chairman, in his announcement, also raised the question of what plans there might be for handling the gold portion of the payments required in connection with the anticipated increase in IMF quotas. The problem arises essentially because the Fund Articles -- drafted 25 years ago -- require that 25 percent of any increase in quotas must be made in the form of a single kind of reserve asset -- namely, gold. Because some countries hold very little gold, the potential arises for a large conversion of dollars into gold, presumably at the expense of U. S. reserves, simply to enable these countries to make necessary quota payments.

One effective and straightforward way of averting this incidental -- but quantitatively large -- potential drain of U. S. reserves as a result of quota increases would be to permit SDR's to be used as well as gold. As a result of the initial activation of SDR's in January, virtually every country would then be equipped to make the necessary payment from

its own reserves, just as major countries, including the U. S., are prepared to pay in gold. Moreover, this procedure would further demonstrate the essential equivalence of gold and SDR's as reserve assets.

Unfortunately, the amendment to the Articles of Agreement providing for SDR's failed to include such a provision. I believe many foreign officials would now share the regret expressed publicly by Emilio Colombo, the Italian Minister of the Treasury, who was a principal in the SDR negotiations, over this omission. However, I think we must recognize the difficulty of amending the Articles at this time for this purpose.

In any event, other techniques are available to forestall the so-called secondary impact of quota payments on our own reserve position. These techniques are more cumbersome. They essentially entail a series of transactions by which countries with insufficient gold would initially obtain the gold from one or more other countries; the gold is then paid into the Fund; and the Fund, in turn, repurchases with equivalent gold needed currencies. In the end, the Fund will be adequately supplied with usable currencies, or perhaps SDR's, without impairing the reserve position of any country. I believe in

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concept the need for such an arrangement is widely accepted, and there is every reason to expect that the Executive Directors will propose a fully acceptable and technically sound plan.

The Executive Directors are now shaping a proposal to the Governors as to the size and distribution of quota increases themselves. The U. S. welcomes this prospective addition to the Fund's resources, which I anticipate will be reasonably in line with the growth of the world economy. In a sense, this prospective addition to the supply of international credit is a natural complement to the inauguration of SDR's, which provide an expanded reserve base.

The task of achieving a distribution of quotas that fairly reflects the relative needs and circumstances of various member countries is a delicate process. In balancing the various considerations involved and to facilitate the negotiating process, the United States has indicated a willingness to accept a slightly smaller percentage increase in its own quota -- now at $5.2 billion -- than seems likely for the average member. Nevertheless, we anticipate that, for the

first time since the Fund was founded, the United States, in addition to its share of a general increase applicable to all members, will accept a portion of the additional selective increase to which it would be entitled on the basis of commonly-used formulas calculated to reflect relative economic growth and weight. This decision may raise the further question, in the light of previous practices, of whether we are prepared to increase in approximately the same proportion our capital subscription to the World Bank. Both the quota and any possible increase in the World Bank subscription would, of course, require legislation.

All of this, as I suggested at the start, suggests progress in dealing with the problems of the international financial system. But we must also recognize there is one area -- fundamentally more important than any other I have touched on today -- where the needed progress has been all too slow.

I am referring, of course, to the related problems of our balance of payments position and our internal inflation. The preliminary third quarter payments figures show a seasonally adjusted deficit on the so-called liquidity basis

of some $2-1/2 billion, only a bit below the average of $2.8 billion during the first two quarters of the year. Moreover, on the official settlements basis, where we had a sizable surplus in the first half of the year, a deficit approaching $1 billion developed in the third quarter.

It would be misleading to focus too closely on precise numbers. The conventional measure of the liquidity deficit continues to be distorted by some transient factors of little real economic significance, including a sizable reversal of so-called special receipts. Outflows related to speculation in the German mark, which subsided only at the end of the quarter, probably had some impact on both measures of our payments position. Conversely, a reflow of funds from Germany, the apparent need for many corporations to repatriate funds to conform to the direct investment regulations, and other factors should work toward some improvement during the current quarter.

Nonetheless, any analysis makes it plain that, beyond short-run distortions, we face a major challenge. The nub of the problem is perfectly clear. If we expect to invest freely abroad, to provide aid, and to carry our military

responsibilities, we must, over time, provide the bulk of the resources through a strong trade and current account position. Instead, we have permitted, over recent years, an erosion in our international competitive position, and overheating has sucked in imports. By 1968, our traditional large trade surplus had almost vanished.

In recent months, there have been some glimmerings that the process of restoring that favorable trade balance may have begun; at the least, the deterioration has been stemmed. A vigorous business climate abroad should provide a clear opportunity for improvement in the year ahead. But it is plain that the full job of restoring our competitive position can't be accomplished easily or quickly.

What is essential is that the signs of underlying progress are plain. The most important sign of all will be a dampening of our internal inflationary pressures.

I know this kind of plea is familiar to you all, and I have no new approach to recommend other than the tough and painful -- but also indispensable -- course of fiscal and monetary restraint. I repeat these words today only because it is always too easy -- in the euphoria of the moment, intrigued by the intellectual challenge of developing one monetary

mechanism or another -- to lose sight of this fundamental. The size and distribution of Fund quotas, the performance of the two-tier system, the effects of the German revaluation, even the major accomplishment of the SDR and the potential for some limited flexibility of exchange rates will be of limited consequence if we do not meet our own responsibilities for a reasonable degree of price stability.

In the end, world monetary stability rests on the stability of the dollar itself. Failing that, I will be in no position to report in the future the same grounds for confidence that I have cited today.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

November 17, 1969

FOR IMMEDIATE RELEASE

SALE OF ADDITIONAL AMOUNTS OF APRIL AND JUNE TAX ANTICIPATION BILLS

The Treasury Department announced today the sale of $2.5 billion of tax anticipation bills; $1.0 billion maturing in April 1970 and $1.5 billion maturing in June 1970. The bills are in addition to the $2.0 billion of April tax bills and $3.0 billion of June tax bills already outstanding.

The bills will be auctioned on Friday, November 21, for payment on Wednesday, November 26. Commercial banks may make payment for their own and their customers' accepted tenders by credit to Treasury tax and loan accounts.

The bills mature on April 22 and June 22, 1970, but may be used at face value in payment of Federal income taxes due on April 15 and June 15, 1970, respectively.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE NOVEMBER 17, 1969

TREASURY OFFERS $2.5 BILLION OF APRIL AND JUNE TAX BILLS

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $2,500,000,000, or thereabouts, as follows:

147-day bills (to maturity date) to be issued November 26, 1969, in the amount of $1,000,000,000 , or thereabouts, representing an additional amount of bills dated October 14, 1969, and to mature April 22, 1970, originally issued in the amount of $2,006,704,000, the additional and original bills to be freely interchangeable. The bills will be accepted at face value in payment of income taxes due on April 15, 1970.

208-day bills (to maturity date) to be issued November 26, 1969, in the amount of $1,500,000,000, or thereabouts, representing an additional amount of bills dated October 29, 1969, and to mature June 22, 1970, originally issued in the amount of $3,004,380,000, the additional and original bills to be freely interchangeable. The bills will be accepted at face value in payment of income taxes due on June 15, 1970.

The bills of both series will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided and at maturity, to the extent they are not presented in payment of income taxes, 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).

Taxpayers desiring to apply these bills in payment of income taxes may submit the bills to a Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States, Washington, not more than fifteen days before the appropriate income tax payment date. In the case of bills submitted in payment of income taxes of a corporation they shall be accompanied by a duly completed Form 503 and the office receiving these items will effect the deposit on the date the taxes are due. In the case of bills submitted in payment of income taxes of all other taxpayers, the office receiving the bills will issue receipts therefor, the original of which the taxpayer shall submit on or before the date the taxes are due to the District Director of Internal Revenue for the District in which such taxes are payable.

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Friday, November 21, 1969. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

All bidders are required to agree not to purchase or to sell, or to make any agreements with respect to the purchase or sale or other disposition of any bills of the issue for which they are bidding at a specific rate or price, until after one-thirty p.m., Eastern Standard time, Friday, November 21, 1969.

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 for the 147-day bills and $200,000 or less for the 208-day bills, 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. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on November 26, 1969. Any qualified depositary will be permitted to make settlement by credit in its Treasury tax and loan account for Treasury bills allotted to it for itself and its customers.

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

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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE 6:30 P.M.,
Monday, November 17, 1969.

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 August 21, 1969, and the other series to be dated November 20, 1969, which were offered on November 12, 1969, were opened at the Federal Reserve Banks today. Tenders were invited for $1,800,000,000, or thereabouts, of 91-day bills and for $1,200,000,000, 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 February 19, 1970		:	182-day Treasury bills maturing May 21, 1970	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	98.206	7.097%	:	96.212 a/	7.493%
Low	98.184	7.184%	:	96.192	7.532%
Average	98.195	7.141% 1/	:	96.199	7.518% 1/

a/ Excepting one tender of $1,000
39% of the amount of 91-day bills bid for at the low price was accepted
78% 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	$ 30,716,000	$ 20,716,000	:	$ 8,494,000	$ 8,494,000
New York	2,063,811,000	1,297,511,000	:	1,676,091,000	853,609,000
Philadelphia	39,509,000	24,509,000	:	20,228,000	9,895,000
Cleveland	34,284,000	34,284,000	:	53,838,000	35,867,000
Richmond	27,085,000	21,585,000	:	24,742,000	11,642,000
Atlanta	43,003,000	36,003,000	:	35,268,000	18,233,000
Chicago	140,962,000	140,962,000	:	148,935,000	84,435,000
St. Louis	53,885,000	46,175,000	:	34,272,000	22,852,000
Minneapolis	22,366,000	15,616,000	:	19,823,000	9,113,000
Kansas City	26,010,000	26,009,000	:	22,381,000	21,581,000
Dallas	26,617,000	17,007,000	:	22,348,000	12,348,000
San Francisco	146,182,000	119,762,000	:	198,835,000	112,355,000
TOTALS	$2,654,430,000	$1,800,139,000	b/	$2,265,255,000	$1,200,424,000 c/

b/ Includes $340,055,000 noncompetitive tenders accepted at the average price of 98.195
c/ Includes $204,203,000 noncompetitive tenders accepted at the average price of 96.199
1/ These rates are on a bank discount basis. The equivalent coupon issue yields are 7.37% for the 91-day bills, and 7.92% for the 182-day bills.

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TREASURY DEPARTMENT
Washington

FOR RELEASE AT 8:00 P.M., E.S.T.
TUESDAY, NOVEMBER 18, 1969

REMARKS OF THE HONORABLE DAVID M. KENNEDY
SECRETARY OF THE TREASURY
BEFORE
THE ECONOMIC CLUB OF NEW YORK
HOTEL WALDORF ASTORIA
TUESDAY, NOVEMBER 18, 1969

Thank you for permitting me to share this evening with so many old friends of the business and banking world, and for the privilege of addressing so distinguished an audience.

My acquaintance with the New York Economic Club and its contributions to our national life goes back over many years. My respect has deepened as the acquaintance has widened.

I welcome this opportunity to discuss some of the economic problems this Administration is trying to resolve, to tell you what we are doing about them, and to enlist your support where you believe we are right.

It has been said often enough to become a national cliche that our number one economic problem is inflation. That was true when President Nixon took office ten months ago. It is equally true tonight.

We must halt the spiral of rising prices. We must not permit inflation to become a permanent way of life. Our social and economic aspirations cannot be bought or built with dollars whose value is steadily declining.

I would emphasize, too, that the control of inflation is also one of our top international priorities. A number of important recent developments have strengthened the world financial system, markets are calmer, and prospects

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are good for further improvements. But this progress must go hand in hand with internal economic stability. If we falter in our anti-inflation program, consequences for the international monetary system would be disruptive.

No one looking at trends in our trade accounts can be comfortable with our international position. Tight money in the United States has tended to keep the dollar relatively scarce in foreign markets, as well as at home. This has been a major element of strength for our position in the short run. But it is no substitute for progress toward a better balance in our basic trade and investment accounts, and solid confidence in the long-term purchasing power of the dollar. Failure to deal with this aspect of our problem could be a serious setback to international economic stability and to mutually beneficial trade investment and travel. It would be an illusion to think that, in such circumstances, the United States itself could escape repercussions at home.

I have said that inflation remains our number one economic problem. And this Administration's plan for dealing with that problem remains unchanged: it is to persevere in the use of restraining monetary and fiscal policies until our overheated economy has cooled and people can no longer reasonably expect that the cost of living, and the cost of doing business, will continue to rise as inevitably as tomorrow's sun.

In at least one respect, the climate is already changing. Some of our most voluble critics -- those who claimed originally that our approach was too weak and conventional -- are now concerned that our policies may be too harsh, too risky. At the same time, there are some who would like to see faster, more dramatic change.

Let me say to both groups that our concern is not for dramatic effect -- rather it is for an orderly transition from an overheated economy to a healthy rate of non-inflationary growth. I also want to reassure them that we are keeping a careful eye on the economic barometer. We will respond promptly when the signs are clear that the balance of risk has shifted away from inflation. But we will not anticipate success before the evidence is at hand.

We know from past experience that deep-rooted cost and price inflation can be corrected effectively only after a fairly long period of economic adjustment. If we learned anything from 1967, it was that a premature lifting of restraints only leads us into an even worse inflationary situation.

I have long felt that the most self-destructive course we could follow would be the stop-and-go route. Under such a misguided policy, we would fight inflation, but only so long as our policies were not too painful. When our anti-inflation efforts began to work -- and hurt -- pressures would build up to change course. But if we would then shift to expansionary monetary and fiscal policies, the economy would heat up once more. Soon underlying price pressures would reassert themselves and, once more, we would feel the pain of inflation. Public officials and the average citizen would demand action to curb the upward price spiral, and government would turn again to restrictive policies -- and on and on the cycle would go.

This Administration rejects that policy. A faltering, stop-and-go approach to our current problems would only lead to stagnation marked by excess unemployment and continuing upward pressures on prices. We seek a return to basic economic stability. Only in this way can we build the foundation for a genuine prosperity in which our citizens enjoy high and rising levels of secure employment and a rising standard of living.

When the time arrives for a change in policy, we will have a variety of automatic and discretionary tools for implementing that change. There are the traditional fiscal and monetary policies. There also are a number of built-in features which, if necessary, would operate to sustain the economy and to support those segments of society which are least able to protect themselves.

Anyone concerned with the approach of this Administration toward the lower income groups in our economy should simply look at the record of what the President has proposed to the Congress: a low income allowance to remove millions of individuals from the tax rolls, fundamental restructuring of

the welfare system, reform of Social Security to provide increased payments and protection from inflation, and modernization of the federal-state unemployment insurance system to provide a more responsive mechanism for stabilizing the economy automatically. No one recognizes more clearly than President Nixon that the Federal Government itself has been a major contributor to inflation in recent years.

One of the first directives we in the Federal departments and agencies received from the President last January was to re-examine from top to bottom the budget requests for the 1970 fiscal year which had been sent to Congress by the outgoing administration. We completed that review in April, with a resulting $4 billion cut from expenditures that would have resulted from programs proposed in January by the previous Administration.

Another similar $3.5 billion cutback was accomplished through a second spending review last summer, making a total of $7.5 billion of expenditure restraint that has been exercised by this Administration.

Without these actions -- $4.1 billion in military programs and $3.4 billion in other programs -- budget spending in this fiscal year would be more than $200 billion and our chances of halting inflation would be seriously weakened.

As it is, this fiscal restraint combined with a tight monetary policy, is beginning to produce clear evidence that the overheating which started the inflation escalator some four years ago is beginning to subside. The escalator has not stopped, nor even perceptibly slowed, but the underlying developments necessary for effective control of inflation are beginning to show up.

For example:

-- The rate of increase in final sales of goods and services in current prices has slowed significantly, and real GNP has been advancing at a rate less than half as great as a year ago.

-- The growth rate of industrial production declined in the second quarter and actual production has edged downward for the past three months.

-- Corporate profits peaked in the first quarter and declined in the second and third, a development which, although not a happy one by itself, has frequently preceded a reduction of inflationary pressures.

Another major development now taking place has significant implications for the Federal budget and for the economy as a whole. Military expenditures and particularly the indicators of defense activity which foreshadow changes in the months ahead -- are now receding. This development will help greatly in our efforts to reduce the inflationary pressures on the economy.

Most forecasters now look for a further slowdown in the rate of growth of gross national product in this final quarter of 1969, and an even more noticeable slowing through the first half of 1970.

But make no mistake, the war against inflation is not yet won. Indeed, the battle of the budget goes on. There has been no let-up in the pressure for new programs, in new ways of spending government funds. Everybody wants economy, but always at the other fellow's expense. Right now, for example, there are measures under consideration in the Congress that could add another $5 billion to Federal spending for the 1970 fiscal year.

In addition, if Congress fails to extend the excise taxes and income tax surcharge at 5 percent, and repeal the investment tax credit, revenues for this fiscal year will drop by $4 billion, and the surplus which we feel is needed as an important part of our anti-inflationary program will be drastically reduced.

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The challenge for fiscal 1971 is equally plain. The real starting point for fiscal analysis in 1971 is our present revenue base less the surtax revenues of $8.5 billion -- a net of about $190 billion for the 1970 fiscal year. Economic growth should increase revenues to about $200 billion for the fiscal year 1971, but even this is a smaller than normal increase, and it represents only a little more than our expected 1970 revenues.

The unfortunate truth is that the Federal budget has some built-in escalators. Existing laws provide for mandatory increases on such items as higher interest cost on the public debt as we refinance maturing Treasury securities that were issued many years ago when interest rates were much lower, on Social Security and other retirement benefits, as well as on veterans' benefits, Medicare, and Medicaid. As the Budget Director has noted, these could push our spending in fiscal 1971 over the $200 billion mark -- quite apart from any new or expanded programs that might emerge. This is the context in which we must shape our future revenue program.

The tax reform bill has an important bearing on our fiscal posture. This Administration strongly supports tax reform. But it is of vital importance to avoid a tax reform bill which would, through an early revenue shortfall, cripple our anti-inflationary program.

Although the Senate Finance Committee version provides some $7.5 billion of net tax relief for individuals and raises taxes on corporations by some $5 billion, it does postpone almost all of the tax relief provisions and does not produce a shortfall of revenue until calendar year 1972. Taken as a whole, including revenue raising measures, the bill would produce large additions to revenues in calendar year 1970 and smaller additions in 1971.

There are likely to be attempts on the Senate floor to enlarge and to speed up tax relief provisions. To the extent that these significantly reduce revenues in calendar years 1970 and 1971, they would seriously undermine our effort to control inflation. If the legislation approved by the Congress contains an inflationary

revenue shortfall, the President has made clear that he would not hesitate to veto the bill in spite of his strong support for the cause of tax reform. I have confidence that in the end the Congress will exercise fiscal responsibility as it furthers the important cause of tax reform.

There is, of course, an additional reason for maintaining the budget in strong surplus. If the budget falls into deficit, the Treasury would be obliged to go into the money markets to finance the increased deficit. This could only intensify pressures on already tight financial markets, thus putting further upward pressures on interest rates and limiting even more the availability of funds for such areas as housing and municipalities.

There is always a temptation to try to place our problems in little compartments -- to adopt one device or another to ameliorate the pains of inflation. Nowhere is that tendency clearer than in the effort to escape the impact of high interest rates, or to push the pressure on the other fellow. No one could be more anxious than I to see interest rates move lower, and to see homebuilders and our local governments more liberally supplied with funds. But there is no real escape from present pressures until overall credit demands can be reduced, and that in turn rests on a budget surplus and beating back inflation.

Clearly, this situation calls for the exercise of legislative statemanship to get us through this fiscal year, to say nothing of fiscal 1971 and beyond.

Clearly, too, businessmen, bankers, workers and consumers all have a job of self-restraint, based on a true understanding of their own economic interests, if we are to succeed in stabilizing our economy. I believe there is a growing public understanding of its key role.

We must consider the time required to bring inflationary pressures under control, the tendency for spending programs to grow almost automatically, and the scheduled expiration of the income surtax next June. I hope, too that business and labor, as they appraise the outlook, and assess their own interests, will consider the consequences of building into our cost structure wage settlements inconsistent with a return to price stability or pricing practices inconsistent with a realistic appraisal of market growth.

Much depends now on the action or inaction of Congress. The anti-inflation budget surplus we now project includes income from the extension of the surtax at 5 percent, repeal of investment incentive tax credit, and an extension of certain excise taxes.

The House of Representatives has passed those measures twice -- once in a separate tax measure, and again as part of the Tax Reform Bill. The Senate has linked action on the revenue measures with the tax reform bill.

Timing is of critical importance. Further delay in the Senate can only create uncertainty in the business community and cast doubt on our determination to pursue an effective anti-inflationary fiscal policy.

It is conceivable that the complex legislative process, the reconciliation of differences between House and Senate bills, may not be completed by the end of this year. If that should happen, I believe that the Senate leadership has an urgent responsibility to separate tax reform from the short-run revenue raising measures and to bring the latter up as a separate bill.

It would be a grave mistake for the Congress to reverse our fiscal course by dropping the surtax and neglecting to repeal the investment credit at the very time we are beginning to make headway against inflation. Any realistic appraisal of our budgetary outlook emphasizes how sorely these revenues are needed. The only reasonable question can be, not whether they are too much, but whether they are enough.

Defending the value of the dollar is not simply a narrow end in itself. Price stability is at the very heart of a strong American and world economy. Without a balanced and vital economic system, our more basic objectives -- high employment, growth and the achievement of our social goals -- are threatened. Our commitment to fight inflation is based ultimately on our concern about people and meeting their most pressing needs.

It is my hope this evening that you will make your voices heard and your influence felt in successfully resolving this issue in which all Americans have such an important stake.

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FOR RELEASE ON DELIVERY

STATEMENT BY THE HONORABLE PAUL A. VOLCKER
UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS
BEFORE THE SUBCOMMITTEE ON VETERANS LEGISLATION
OF THE SENATE COMMITTEE ON FINANCE ON S. 3008
ON WEDNESDAY, NOVEMBER 19, 1969
AT 10:00 A. M. ~~(EDT)~~

Mr. Chairman:

I am pleased to have this opportunity to present the views of the Administration and the Treasury Department on S. 3008, a bill "To increase the availability of guaranteed home loan financing for veterans and to increase the income of the national service life insurance fund."

S. 3008 would provide for the investment of the assets of the national service life insurance (NSLI) fund in VA guaranteed mortgages. The bill would establish a national service life insurance investment fund to which the Secretary of the Treasury would be required to transfer from the NSLI fund such amounts as the Administrator of Veterans Affairs may request, except that the total amount transferred could not exceed $5 billion in the period between the enactment of the bill and June 30, 1974, and could not exceed $1 billion in any one fiscal year. The Administrator would use the amounts transferred to purchase guaranteed mortgage loans pursuant to commitments made at the time the loans were guaranteed. The new investment fund would pay interest to the insurance fund at the average rate on loans purchased by the investment fund less 1 percent but not less than

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the average return on the other invested portion of the insurance fund. The Administrator would also be authorized to utilize the investment fund to purchase loans from the direct loan revolving fund.

It seems to me that one fundamental issue posed by S. 3008 is whether the Congress is willing to face up to the hard choices that must be made among the many pressing needs for funds through the regular authorization-appropriations process or whether instead certain Federal outlays, in this case in support of VA guaranteed mortgages, are to short circuit that process. Under the new unified budget adopted pursuant to the recommendations of the Budget Concepts Commission, trust fund acquisitions of VA guaranteed mortgages would in any event constitute Federal budget outlays. The anticipated Federal budgetary surplus would be reduced by an equivalent amount, and the Treasury would be required to increase the amount of its borrowing from the public in order to raise new funds to replace the Treasury special issues now held by the NSLI fund.

During the present fiscal year 1970, the Administration is operating within the confines of a tight expenditure ceiling. Thus the use of VA insurance reserves under S. 3008 to acquire VA guaranteed mortgages would require a reduction in other programs. This is why I feel that the Congress should have the

opportunity through the regular appropriations process to consider how Federal budget support of VA guaranteed mortgages fits into the overall fiscal posture and budgetary priorities of the Federal Government.

Apart from these immediate budgetary implications, I believe it is evident that use of trust fund monies for the acquisition of VA mortgages would make it increasingly difficult to resist pressures to finance other, perhaps equally pressing, programs by the same means. The net result would be to undermine orderly budgeting and rational allocation of scarce Federal financial resources.

Apart from this fundamental question of budget policy, it is hard to see what would be accomplished by S. 3008 which could not be accomplished more effectively and more equitably under existing arrangements for the support of mortgage loans to veterans and for the investment of Federal trust funds.

An efficient mechanism for market support of VA guaranteed mortgages has already been provided by the Congress in the now private Federal National Mortgage Association, which purchases mortgage loans guaranteed by other Federal agencies, including the Veterans Administration. The establishment of the proposed facility for VA guaranteed mortgages would in key respects duplicate the activities of FNMA. If the intent of the Congress

is to provide additional subsidies for VA guaranteed mortgages, this could be accomplished consistent with existing institutional arrangements and without involving trust fund purchases. Instead, the proposal embodied in S. 3008 would tend to obscure the element of subsidy and, in principle, give rise to an uneasy compromise between the interests of the trust fund beneficiaries and the recipients of the mortgage credit.

The Federal National Mortgage Association has been purchasing a large volume of VA guaranteed loans; about a third of its activities is in such mortgages. In the year ended June 30, 1969 FNMA purchases of VA loans were about $600 million, and purchases have recently been running about $150 million per month or at an annual rate about three times the 1969 level. FNMA is also active, in tandem with GNMA, in purchasing mortgages for which the Federal Government wishes to provide greater subsidy, with the cost of the subsidy absorbed by the general revenues.

S. 3008 establishes a minimum purchase price of 96 percent of par for loans purchased by the new investment fund. This price compares with the current FNMA purchase price of about 93. Thus those mortgage lenders now selling VA guaranteed loans to FNMA would presumably choose instead to sell to the new investment fund at the higher price. Since FNMA has been purchasing VA guaranteed mortgages at a monthly rate of $150 million, or at

an annual rate of $1.8 billion, the authorized purchases under S. 3008 of up to $1 billion a year would apparently involve mortgages which would otherwise have been purchased by FNMA and thus tend to duplicate the activity of FNMA.

I would like to emphasize that I fully share the Committee's concern over the limited availability of mortgage funds in the present environment. For this reason, a number of specific steps have been taken to help support home construction. Operating directly to maintain a flow of money into housing, the Home Loan Banks have very substantially stepped up their volume of their advances to member savings and loan associations. In fact, total Home Loan Bank borrowings have increased by over $2 billion since June 30. Similarly, the Federal National Mortgage Association has been making new commitments at a rate of roughly $10 billion per year, or about three-fourths of the entire volume of FHA and VA mortgages originated. President Nixon recently announced a sharp cutback in Federal construction projects, which should also help to relieve pressures on construction resources. Finally, the Government National Mortgage Association is expected to commit some $650 million of special assistance funds to multi-family housing units in cooperation with the Federal National Mortgage Association in the "tandem" plan.

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While these measures are not all aimed specifically at providing mortgage funds to veterans, they are intended to provide strong support for the flow of mortgage credit generally, and thus help cushion the effects of tight money on home building. I must emphasize, however, that the only effective means of assuring an adequate flow of mortgage funds to veterans and others in need of housing finance is to continue to exercise the budgetary and monetary restraint necessary to assure that the economy returns to a path of stable growth.

Reflecting a long standing Congressional policy, the major trust funds, including social security, civil service, and the veterans insurance funds, are now invested largely in special Treasury issues which are redeemable on demand. This provides uniform treatment and avoids any potential conflict between trust fund requirements and program financing. The apparent intent of the Congress, as evidenced by specific legislative enactments, has consistently been that trust funds be invested at rates which approximate current Treasury borrowing rates.

If the Congress desires to increase the investment income of the NSLI fund, this could be accomplished more effectively under existing arrangements without confusing this objective with the objective of mortgage support. The present proposal can only confuse the question of identifying the costs and

benefits of the veterans life insurance and housing assistance programs. Moreover, there is a lack of coincidence between the beneficiaries of the NSLI fund -- which are largely World War II veterans -- and the beneficiaries of the proposed mortgage purchase program. Federally assisted life insurance for Korean and Vietnam veterans has been provided through other insurance programs and funds. I see no apparent reason for increasing the insurance dividends paid to World War II veterans through the mechanism of higher investment yields from mortgage loans to Vietnam veterans.

In sum, we believe the approach toward Federal trust fund investment embodied in S. 3008 conflicts with sound budgetary and trust fund policy. Moreover, we do not believe it is a necessary or desirable mechanism for channeling more funds into VA mortgages. Consequently, the Administration strongly recommends that it not be passed.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

November 19, 1969

FOR IMMEDIATE RELEASE

JOINT U.S.-MEXICAN WORKING GROUP NAMED ON NARCOTICS, DANGEROUS DRUGS AND MARIJUANA PROBLEMS

The membership of a joint United States-Mexican Working Group which is preparing recommendations for both governments on the control of illicit traffic in narcotics, marijuana and other dangerous drugs, was announced today by the United States Treasury and Justice Departments.

The working group, which has been meeting in Mexico since the bilateral talks ended on October 29, is due to submit a progress report by December 15 and further reports from time to time with the understanding that such reports will only be recommendations to the respective governments.

The working group was established after representatives of the governments of the United States and Mexico met in Mexico City on October 27, 28, 29, 1969 for bilateral talks on problems of marijuana, narcotics and dangerous drugs. At that time, the U.S. delegation, headed by Deputy Attorney General Richard G. Kleindienst and Treasury Assistant Secretary Eugene T. Rossides, presented to the delegation of Mexico for its consideration working materials relating to the various items on the discussion agenda.

The two delegations decided to establish a joint working group to examine these materials and others presented by the Mexican delegation in detail to identify possible bases for agreements between the two governments and to report their findings to the two governments.

The members of the Working Group are:

For the United States: Jack Kubisch, Chairman, U.S. Department of State, Deputy Chief of Mission, American Embassy, Mexico; George H. Gaffney, Chief Assistant to the Director, Bureau of Narcotics and Dangerous Drugs, U. S. Department of Justice.

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William B. Butler, Consultant to the Commissioner of Customs, U.S. Treasury Department; Dr. Archibald B. Park, Assistant to the Administrator, Agriculture Research Service, U.S. Department of Agriculture.

Robert B. Service, U.S. Department of State, Second Secretary of the U.S. Embassy in Mexico City; Marco A. Padilla, Customs Attache, U.S. Bureau of Customs, U.S. Embassy, Mexico City.

For Mexico: S. Huerta Grados, Chairman, of the Office of the Attorney General of Mexico; J. Barona Lobato, Office of the Secretariat of Foreign Relations; J. A. Vaszquez Robles of the Ministry of Government; G. Garcia Camberos of the Department of the Treasury.

Major J. Quinonex Cruz of the Secretariat of Defense; G. Posada Retana of the Secretariat of Health, and A. Blackaller V. of the Secretariat of Agriculture.

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TREASURY DEPARTMENT
WASHINGTON, D.C.

FOR RELEASE AT 3:00 P.M., E.S.T.
WEDNESDAY, NOVEMBER 19, 1969

REMARKS OF THE HONORABLE EDWIN S. COHEN
ASSISTANT SECRETARY OF THE TREASURY FOR TAX POLICY
BEFORE THE
TAX SESSION OF THE 56TH NATIONAL FOREIGN TRADE CONVENTION
WALDORF-ASTORIA HOTEL, NEW YORK CITY
WEDNESDAY, NOVEMBER 19, 1969, AT 3:00 P.M., EST

REFORM IN TAXATION OF FOREIGN SOURCE INCOME

It is indeed an honor for me to speak at the 56th National Foreign Trade Convention. I am especially pleased as this occasion gives me an opportunity to emphasize the importance this Administration attaches to the international tax problems faced by exporters and others engaged in international business. We recognize that whenever more than one country is involved, special efforts must be made to assure a tax system that is fair to the taxpayers and to each of the countries. This afternoon I would like to share with you some of our preliminary thoughts on reform in the taxation of foreign source income.

Let me emphasize that I use the word "reform" in the broadest sense of the concept of reformation, and you should not conclude, depending upon your point of view, that U. S. taxes on foreign source income will move up or down.

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As you know, since we took office early this year, the Treasury tax staff has been devoting almost complete attention to the Tax Reform Act of 1969. While this bill is largely devoted to domestic tax matters, there are a limited number of foreign items included in the House version, the Senate Finance Committee version, or both. I will assume that this audience is familiar with these items and the Treasury views on them as expressed in my statement of September 4, 1969 before the Finance Committee, and the Treasury Technical Memorandum of September 30, 1969.

Exclusion of Income Earned Abroad

There is, however, one provision of the Senate Finance bill on which the Treasury has not commented and that is the provision which would reduce the exclusion for income earned by U. S. citizens abroad to $6,000 per year. As you know, under present law a United States citizen has a limited exclusion for income earned abroad, typically salary, if the citizen establishes foreign residence for at least one year or if he remains abroad for 17 months in an 18 month period. The exclusion is limited to $20,000, except that in the case of foreign residence the exclusion becomes $25,000 after three years.

It can be argued that since the United States provides a credit against the U. S. tax for foreign income earned abroad, double income taxation cannot occur, and an exclusion for compensation earned abroad is unnecessary. When the foreign income tax rate is less than the U. S. rate, the exclusion may be said to represent a preference for the citizen working abroad as compared to the citizen working at home.

On the other hand, proponents of the exclusion have pointed out that foreign countries rely to a great extent upon sales taxes and other forms of taxes for which we allow neither a credit nor a deduction; that the foreign tax credit is a complex provision for which tax advice and assistance is needed by the average employee stationed abroad; and that there are a number of other practical factors affecting American exports and American business abroad that should be taken into account before any such change in this provision is made.

This subject was not the subject of public hearings either before the House Ways and Means Committee or the Senate Finance Committee and was last dealt with in public hearings in 1962. The Treasury believes that the persons

adversely affected by the proposed amendment, and their employers, should be given the opportunity to present testimony and to be heard before any change so drastically altering their tax liability is made. Accordingly, we recommend that this provision be deleted from this bill and deferred for review in connection with other proposals relating to the taxation of foreign source income.

In that review consideration should be given to the treatment of the excluded earned income in computing the foreign tax credit. At present there appears to be an unwarranted advantage in allowing the credit for the foreign tax imposed on income not subject to U. S. tax.

Aside from this discussion of section 911, I will not now comment further on the Tax Reform Act of 1969. Instead, let me use this opportunity to consider with you our tentative long-range thinking in the area of taxation of foreign source income.

Considerations for Foreign Income Reform

In our testimony before the Senate Finance Committee on September 4 I indicated that the Treasury was developing comprehensive proposals relating to the U. S. taxation of

foreign source income for presentation to Congress. We believe it is time to review our system of taxation of foreign source income in the light of changes in the nature of international business activities, including the growing conduct of such business through the multi-national corporation. We should reexamine the effect of our tax laws on the conduct of international business, taking into account revenue and balance of payments factors, and the equity and administrative costs of our tax structure, and we should determine whether the results match our goals. While our work in this regard is still in its early stages, I believe it would be useful for you to know what we have found so far and what we consider significant.

In our present view there are a number of basic considerations which deserve primary attention in developing proposals for revising the system of taxation of foreign source income.

First, present law is far too complex. It is too complex for taxpayers and too complex for efficient administration. It shows all of the marks of the series of compromises that were involved in its development from 1913 to 1962. While the inherent complexity of business, especially

international business, limits what we can do to achieve simplicity, it seems to me that it is not necessary to seek the precision that our present system appears to be striving for when the cost of that search is such a high degree of complexity.

The cost of complexity both to taxpayers and the government in this area is real, stemming largely from the necessity to assign large numbers of very intelligent people in an effort to make the present mechanism function. I think we should strive to shift some of this talented manpower both inside and outside of government away from such intricacies as subpart F income, the deemed-paid foreign tax credit, and section 367 rulings to work creatively on such critical needs as low income housing, transportation, legal services for the poor, and other frontiers of the law.

I doubt that with our present detailed rules and calculations we really attain in the last analysis in the foreign area more than rough approximations of tax liability. Realistically we should take this limitation into account in the design of our tax system. We must recognize, of course, that complexity is very difficult to avoid, but we do consider simplification an important goal and intend to weigh it heavily in the process of developing our proposals.

Second, it is not clear that our present tax system treats manufacturing in this country for export to foreign markets fairly in relation to manufacturing overseas for foreign markets. One illustration that underscores this question is that the U. S. tax on foreign manufacturing income earned by a subsidiary is deferred until the income is distributed as a dividend or the stock of the subsidiary is sold. However, U.S. tax on export income of a corporation organized in the United States is payable currently. To the extent exports are routed through a foreign corporation organized in a low-tax country, deferral can be achieved only if subpart F can be avoided. Even though subpart F can be avoided in some cases, I question the desirability of a tax system that offers benefits to those who conduct an export business through foreign corporations in order to obtain deferrals that are not available to those American companies that export directly.

Another factor which has caused us to consider whether we are treating equitably foreign source income generated by selling abroad from the U. S. arises from a comparison between the operation of our income tax system and those of other countries. A number of other countries, particularly in Western Europe, exempt the foreign source profits

of their resident corporations from tax. Export income qualifies as foreign income if it is earned by a foreign permanent establishment or, at least in some cases, if it is generated through an employee in a foreign country.

It does not seem to us that we should perpetuate a system which so inequitably treats those in industry and labor who seek to sell abroad from this country. I will discuss later an approach to this matter that we think is likely to be preferable to our present structure.

Third, the Treasury must bear constantly in mind the revenue needs of the Federal Government. Any loss in revenue from revision of the present system is a matter or prime concern, to be weighed in the balance with advantages stemming from the revision.

Fourth, to the extent our tax system is regarded as departing from neutrality between different types of income, the departure is considered as constituting a tax incentive or tax preference. Any preference for foreign income is an important aspect of this, but neutrality also has other implications. As I stated last week at the New York University Tax Institute, some of the tax preferences

have been enacted after much debate with the expressed intent of stimulating certain kinds of expenditures, while others have resulted without studied forethought, partially or completely by accident. I then observed --

> "Every preferential provision in the tax law serves to reduce the tax of those who take advantage of the preferences and reduces the revenue yield to the government derived from the tax. Thus we can attempt to put a price tag on each of the preferences by estimating loss of revenue to the government resulting from the existence of the preferences. We should then decide whether the benefits derived by the nation from the existence of the tax preferences are worth the price tag. This cost-benefit analysis is of primary importance in evaluating the desirability of the preference and should be made at frequent intervals as a matter of continuing concern."

It is time, we think, to make this cost-benefit analysis of our existing structure for dealing with foreign income and of various proposals for its modification.

Fifth, there are traditional and appropriate limits to the tax jurisdiction of each country. In my view the

justification for these limits are based on three factors: a recognition of the limits of sovereignty, the fact of foreign competition, and the need to avoid double taxation. I note, however, that the scope of these traditional limits was questioned in 1961 and 1962 and at that time the United States extended its jurisdiction by taxing the subpart F income of controlled foreign corporations currently. Some would now even go further and tax generally all income of controlled foreign corporations currently. By taxing the U. S. shareholders on undistributed income of a foreign corporation rather than taxing the corporation itself, these approaches appear to have avoided the international law problems on the limits of sovereignty which would have arisen from an attempt to tax foreign corporations directly.

The United States limits its tax jurisdiction by applying to foreign corporations rules different from those pertaining to domestic companies. Domestic corporations are taxed on all of their income while foreign corporations are taxed on their income from U. S. sources. While certain types of foreign source income of foreign corporations were made subject to U. S. tax by the Foreign Investors Tax Act of 1966, this change can be regarded as an extension of our source

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rules rather than a departure from the source principle. We, of course, determine whether a corporation is domestic or foreign on the basis of its place of incorporation but, this, however, is not the only standard used in the world. A number of countries use the managed and controlled test either solely (the United Kingdom is a prime example) or as an alternative to the place of incorporation test. Under the managed and controlled test a foreign subsidiary in fact managed by persons located in the home country could be subject to tax on world-wide income.

Turning to the question of foreign competition, U. S. companies have achieved a highly respectable performance in producing for foreign markets in face of increasing foreign competition. Generally this has been accomplished through foreign subsidiaries operating in the country where they are incorporated. Except in the limited cases where subpart F applies, the manufacturing income of these foreign subsidiaries have not been subject to U. S. tax until distributed to their U. S. shareholders. This means that the tax burden of these subsidiaries has been that imposed in the country of incorporation, and the foreign subsidiaries have been able to reinvest in their

businesses the margin by which the effective foreign rate is lower than the U. S. rate.

While tax rates throughout the world have been approaching the U. S. rate in recent years, there are still important countries where the tax rate is lower, either generally or under special arrangements to attract new industry, and our deferral system permits the foreign subsidiary to grow through the retention of earnings which have enjoyed the benefit of this margin. Whether our foreign subsidiaries would be as successful if this benefit were removed may be open to question.

Finally, we believe we must do more to prevent the use of international boundaries for tax evasion through foreign bank accounts and other means. While every taxpayer has a right to take all legal measures to reduce his tax liability to a minimum, tax evasion through international avenues, even if the aggregate sums involved are not large, is an important problem which must be dealt with as forcefully as we can. We work closely with other countries and we are urging them to do more. We must also make sure that we are doing all that we can in our own country. We are in the process of reviewing the types of legislative and administrative measures, as well as treaty changes, that are needed to make these efforts more effective.

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Basic Reform

With these considerations in mind, we are in the midst of a review and reappraisal of the provisions of the Internal Revenue Code dealing with taxation of foreign income, in an effort to determine the changes needed as we approach the challenges of a new decade. One of our most important tasks is to analyze the effect of our current system on revenue and balance of payments and the likely results of changes in the Code. To a large extent this involves the science, or perhaps the art, of revenue estimating. Among the specific questions for which we are now seeking to develop answers are the following:

(1) In the case of dividends from 10 percent or more owned subsidiaries, and from foreign branches actively engaged in trade or business abroad, how much income tax do we collect after the foreign tax credit? (For convenience, I will refer to such dividends and branch income as direct investment income.)

(3) To what extent does the deduction of foreign losses reduce U. S. tax collections on U. S. source income?

(4) To what extent do excess foreign tax credits generated on direct investment income spill over and reduce U. S. tax on foreign royalties, foreign interest and foreign dividends from foreign corporations that are less than 10 percent owned by U. S. persons? To what extent does this occur in the case of taxpayers on the per-country limitation and in the case of taxpayers on the overall limitation?

(5) To what extent do foreign countries tax royalties, interest, dividends and other income paid to U. S. residents at effective rates higher than the U. S. rate?

(6) How much income of foreign subsidiaries is taxed at rates substantially less than the U. S. rate and where does this occur?

(7) To what extent are U. S. exports effected through foreign subsidiaries incorporated and operating in a foreign country other than the country of destination?

Since our study is not yet complete I shall not attempt to predict the direction our proposals will take, but it might be interesting to list some of the possibilities:

1. Keep the current structure and make improvements. Unless we can develop a reform in the basic structure which we feel is likely to result in an overall improvement, we would be inclined to keep the structure we now have. We would build on that structure by recommending a number of significant changes, some of which I will discuss later on.

2. Eliminate deferral, taxing foreign subsididaries as foreign branches are now taxed. It has been strongly urged by some that to avoid a tax preference situation a United States owned foreign corporation should be subject to the same taxes as a United States owned domestic corporation. After extensive consideration Congress rejected this approach in 1962. Moreover, eliminating deferral for those foreign subsidiaries not closely controlled from the United States would mean extending our tax jurisdiction further than any

other country, and issues other than pure tax policy would have to be weighed carefully. It is not impossible that our studies will indicate that ending deferral would yield little revenue, if abuse cases can be dealt with by specific provisions.

3. <u>Exempt direct investment income</u>. The opposite direction to ending deferral would be to exempt foreign direct investment income from U. S. taxes. This would follow the approach of most foreign countries and, generally, the approach recommended in the Canadian White Paper issued recently. Foreign losses would no longer be deductible and this would produce a revenue gain. The great advantage of this approach is that it goes a long way toward the goal of simplicity and it is possible that our studies will show that it does not involve substantial revenue loss.

However, if it is decided to adopt the exemption approach two areas of possible exception might be considered:

a. It might be appropriate to limit the exemption to income of foreign subsidiaries earned from the active conduct of a trade or business in the country of incorporation. If foreign interest, royalties, etc. are not exempt when earned directly by a U. S. taxpayer, why

should they be exempt if derived through a foreign corporation? One approach would be to retain the foreign personal holding company part of subpart F, and interestingly this is the course recommended in the Canadian White Paper.

b. While an exemption might seem appropriate when the foreign rate parallels our own, some will feel that complete exemption from U. S. tax is not warranted when the foreign rate is substantially less than the U. S. rate. A possible solution would be to limit the exemption to direct investment income earned in countries with a tax rate not less than, say, 35, 40, or 45 percent. To achieve simplicity the Treasury could make this determination for the major countries.

Under such a system exempt income and taxes thereon would not require a foreign tax credit but in other cases the foreign tax credit would have to continue.

Of course in considering this approach we must make sure that an exemption system with conditions or exceptions would not be as complex or even more complex than our current system.

Improvements in the Current Structure

If we change our basic structure for taxing foreign source income, some of the problems that are now bothering taxpayers and the government might not arise or might arise in a different context. In any event we are turning our attention to the urgent need to deal with these problems, some of which I will discuss:

1. Section 367

We are particularly mindful of the continuing problems arising in connection with section 367 of the Code, under which gain from incorporation, liquidation or reorganization of a foreign corporation is recognized unless the taxpayer satisfies the Internal Revenue Service, in advance of the proposed exchange of property or stock, that the exchange is not "in pursuance of a plan having as one of its principal purposes the avoidance of Federal income tax."

In May, 1968, the Service made public Revenue Procedure 68-23 setting forth guidelines on the circumstances in which

favorable private rulings will be issued under section 367. We have recently received a number of thoughtful comments on the application of these guidelines, which are quite helpful in reviewing the operation of section 367. We believe that improvement in its current operation is a matter of high priority.

We do believe that there is a substantial question as to whether the retention of the advance ruling requirement is not an unwarranted impediment to the conduct of international business in view of the necessity for prompt action on business decisions. It does not seem to be a legitimate function of the tax laws to subject transactions, whether routine or major, to delays by requiring the obtaining of advance rulings where business necessity requires action and where a taxpayer is willing to take his chances as in other tax matters. Yet the mere failure to obtain the ruling in advance under section 367 constitutes a veto over any possibility that the transaction could be tax free, regardless of whether statutory non-recognition provisions were

complied with, regardless of whether the taxpayer is willing to pay any applicable toll charges and regardless of whether tax avoidance was in fact a principal purpose.

One approach that has been suggested is incorporating in the Internal Revenue Code those toll charges which are properly of general applicability and substituting a reporting requirement for the advance ruling requirement in most, or all, cases. It should be pointed out that the role for section 367 in preventing tax avoidance is very closely related to the basic structure for taxing foreign source income and, if any changes are made in this basic structure, section 367 could be substantially affected.

2. Section 482

Since I have taken office, and in those few moments that I have had to discuss matters other than the Tax

Reform Act of 1969, I have heard frequent criticism expressed concerning the operation of section 482, particularly as to inter-company pricing on export sales. We are concerned about this question because it does not seem to us that the tax laws should operate in a fashion that has such undertainty or with such inflexibility as to encourage U. S. companies to turn to foreign manufacturing or to foreign suppliers to avoid complexities of U. S. tax law and apprehension over possible double taxation. But I do not think that to date we have accumulated sufficient information or examples of these alleged problems to say that the 482 regulations as promulgated in April 1968 and January 1969 require extensive revision. If and when sufficient such examples under the new regulations are found, we are prepared to act; both the Service from the standpoint of administration and the Treasury from the standpoint of policy are giving this matter intensive consideration.

We do have a responsibility to protect the integrity of the U. S. tax system to see that U. S. taxpayers cannot freely reduce their taxes by shifting income to foreign entities through inter-company pricing. While we must remain on guard against tax avoidance, we can also recognize that in as difficult a science as allocating income and expenses between related entities, it can be wasteful and inefficient to attempt to obtain too precise a division between two enterprises in countries with comparable corporate tax burdens. We intend particularly to make sure that our inter-company pricing rules do not mean unnecessary harrassment and expense to companies engaged in exporting.

Since under any approach that may be adopted there will be some cases of allocation of income that results in actual or threatened double taxation, we are putting our efforts toward developing a more meaningful competent authority procedure for negotiating adjustments with other countries on a reasonably expeditious basis.

3. Foreign Tax Credit

As stated above, if direct investment income were to be exempted from U. S. tax under described conditions, this would drastically restrict the field of operation of the foreign tax credit and hopefully achieve simplification. In any event, we find that a number of aspects of the foreign tax credit need reexamination or further work, including effective foreign rates in excess of the U. S. rate, the payment of foreign taxes in excess of the minimum due, the computation of the limitation where there have been losses in prior years, the different effective rates in the U. S. and some foreign countries on capital gains and mineral income, the allocation of domestically incurred expenses to foreign income, and the somewhat mechanical source rules.

4. Investment in United States Property

The Revenue Act of 1962 provides for current taxation of the income of controlled foreign corporations invested in certain types of United States property. While I cannot quarrel with the application of this provision in such cases as quasi-permanent loans by foreign subsidiaries to their domestic parents, we are studying this provision to determine whether in its present form it is excessively broad.

5. Simplification

Even within the existing structure it seems to me that we should make every effort to achieve simplification. One area where I believe we can do something is in eliminating duplication in the reporting requirements with respect to the operations of foreign corporations. A second problem area that has been called to our attention is the fact that U. S. tax accounting rules must be used by foreign subsidiaries for purposes of computing the foreign tax credit and minimum distributions. While we are considering this I cannot see how we can apply our tax in an even-handed way without some control of the accounting rules used. Nevertheless it may be possible to achieve some greater flexibility without complete abandonment of controls, perhaps by accepting the tax accounting rules of certain countries fully or with certain adjustments.

Another area where simplication may be achievable is in our source rules. For example, the income from U. S. exports is considered to arise partially or completely from foreign sources only if title passes outside of the United States. This seems overly technical and requires

taxpayers to make complex arrangements. Perhaps a destination test for U. S. exports would be useful.

Income from Export of Goods Manufactured in the United States

Under our present Code income from export of goods manufactured in the United States is, in general, subject to full U. S. income tax unless the sales are routed through a subsidiary incorporated in the foreign country to which the goods are destined, or in some cases to third countries where the relief provisions under subpart F can be utilized. The requirement that a foreign corporation be used for this purpose requires operation under a foreign corporation law, with foreign accounting principles involved, and foreign lawyers, accountants and other advisors required. Through the years I have wondered why we draw this distinction based on incorporation abroad, with its inherent complexities for the American businessman. Where goods are produced in the United States for sales abroad, can we not achieve some advantages of simplification, as well as other practical advantages, by permitting international sales subsidiaries to be organized under United States laws, subject to appropriate safeguards, with substantially the same effect as if they were incorporated abroad?

While one approach would be to broaden the exemptions to subpart F, possibly by liberalizing the existing Export Trade Corporation exemption so that foreign corporations could be used for this purpose, it seems to me that we should not force our exporters to use foreign corporations to minimize their tax. Therefore, we have been examining the possibility of extending to a domestically incorporated international sales corporation the same privileges now accorded foreign corporations which qualify under the existing Export Trade Corporation or other exceptions to subpart F.

Under an approach we are considering the United States tax on a domestic international sales corporation's income would be deferred as long as its income is used in the corporation's export business or invested in export related assets and not distributed to shareholders. The income from investments in export related assets would be similarly deferred. It would be our intention to avoid the excessive limitations on qualifying export assets that are presently found in the existing Export Trade Corporation provisions.

Domestic international sales corporation status would be available for the sale of goods produced in the United

States by related and unrelated manufacturers and regardless of whether the income is earned by purchase and resale or through sales commissions.

We would contemplate that inter-company pricing between such a domestic corporation and a related supplier would be subject to specific rules intended to assure an appropriate division of profit, but the rules would not necessarily be limited to the application of the present section 482 provisions.

In order to qualify as a domestic international sales corporation a corporation would be required to have, say, 95 percent of its gross receipts from the sale of goods manufactured, extracted or produced in the United States for use, consumption, or distribution abroad or from qualifying export related investments. Ancillary services related to exports would give rise to qualifying income, as would income from leasing and subleasing of export goods and interest on trade receivables and working capital deposits. Qualifying income would also include income of foreign sales and service branches and dividends from foreign sales subsidiaries which, except for their foreign situs of incorporation, would themselves qualify as domestic international sales corporations.

To the extent that income is invested in assets that produce qualifying export trade income, including reasonably adequate working capital, such income need not be distributed. We would contemplate some limitation on the proportion of income that could be earned from investment in export related assets, other than on trade accounts, in relation to total income in order to preserve the sales character of the corporation. A qualifying domestic international sales corporation would not itself be subject to the provisions of subpart F.

I should emphasize that this and other approaches are now receiving study in the Treasury, and I am not now in a position to indicate when, or if, a formal proposal will emerge. However, the Treasury is aware of the need and we shall bend our efforts to move forward as rapidly as possible.

Conclusion

I am sure that my remarks this afternoon have made it clear to you that there is much work ahead of us in connection with the U. S. taxation of foreign source

income. The Treasury considers this a vital matter and intends to devote a great deal of effort to this very important area. Moreover, the Commissioner of Internal Revenue has assured us of the desire of the Service to administer these provisions of the law without undue burdens on exporters or others carrying on international trade. We solicit your comments and suggestions. They will be carefully studied and much appreciated.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

November 19, 1969

FOR IMMEDIATE RELEASE

WILLIAM L. DICKEY NAMED
DEPUTY ASSISTANT SECRETARY

Secretary of the Treasury David M. Kennedy today announced the appointment of William L. Dickey as Deputy Assistant Secretary for Enforcement and Operations. Mr. Dickey will work under the direction of Assistant Secretary for Enforcement and Operations Eugene T. Rossides.

Mr. Dickey, 37, of Sioux Falls, South Dakota, received a Bachelor of Arts degree from Augustana College, Sioux Falls, in 1957, and a Juris Doctor degree from George Washington University in 1962.

Since receiving his Juris Doctor degree, Mr. Dickey has been practicing law both in Washington, D. C., and South Dakota. He served as Minority Counsel for the Intergovernmental Relation Subcommittee of the U.S. Senate Committee on Government Operations, 1963-64, and as a staff attorney for the Western Union Telegraph Company in New York, 1967-68. During 1962-63, he was Assistant Professor of Law at the University of South Dakota, Vermillion, South Dakota.

In 1962, Mr. Dickey was admitted to the Virginia State Bar, District of Columbia Bar, and the South Dakota Bar. He is a member of the American Bar Association, Federal Bar Association, American Trial Lawyers Association, and the South Dakota and Virginia State Bar Associations.

Mr. Dickey enlisted in the U.S. Air Force in 1951, served four years, and was honorably discharged in 1954 with the rank of Staff Sergeant. He is married to the former Patricia McCormick of Salem, South Dakota. They have one child, Diane, and reside at 8403 Felton Lane, Alexandria, Virginia.

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TREASURY DEPARTMENT

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WASHINGTON, D.C.

November 19, 1969

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 $ 3,000,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing November 28, 1969, in the amount of $2,900,235,000, as follows:

90-day bills (to maturity date) to be issued November 28, 1969, in the amount of $1,800,000,000, or thereabouts, representing an additional amount of bills dated August 28, 1969, and to mature February 26,1970, originally issued in the amount of $1,201,022,000, the additional and original bills to be freely interchangeable.

181-day bills, for $1,200,000,000, or thereabouts, to be dated November 28,1969, and to mature May 28, 1970.

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Monday, November 24, 1969. 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

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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 November 28,1969, in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 28,1969. 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.

REASURY DEPARTMENT 95

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE November 19, 1969

TREASURY'S MONTHLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $1,500,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing November 30, 1969, in the amount of $1,501,001,000, as follows:

273-day bills (to maturity date) to be issued December 1, 1969, in the amount of $500,000,000, or thereabouts, representing an additional amount of bills dated August 31, 1969, and to nature August 31,1970, originally issued in the amount of $1,200,526,000, the additional and original bills to be freely interchangeable.

365 -day bills, for $1,000,000,000, or thereabouts, to be lated November 30, 1969, and to mature November 30, 1970.

The bills of both series will be issued on a discount basis under ompetitive and noncompetive 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 p to the closing hour, one-thirty p.m., Eastern Standard ime, Tuesday, November 25, 1969. 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. (Notwithstanding the fact that the one-year bills will run or 365 days, the discount rate will be computed on a bank discount asis of 360 days, as is currently the practice on all issues of reasury bills.) It is urged that tenders be made on the printed orms and forwarded in the special envelopes which will be supplied y 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

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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 December 1, 1969, in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 30,1969. 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.

November 20, 1969

FOR IMMEDIATE RELEASE

DECISION ON BARBERS' CHAIRS UNDER THE ANTIDUMPING ACT

The Treasury Department announced that a determination has been made that barbers' chairs from Japan are not being, nor likely to be sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160 et seq.).

A tentative determination was published in the Federal Register on August 28, 1969. This notice provided for the submission of written views or requests for an opportunity to present views orally. No submissions or requests were received.

During the period April 1, 1968, through August 30, 1969, barbers' chairs valued at approximately $1,000,000 were imported from Japan.

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TREASURY DEPARTMENT

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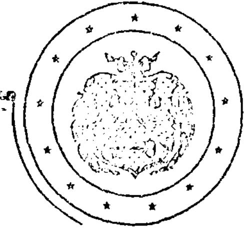

WASHINGTON, D.C.
November 20, 1969

FOR IMMEDIATE RELEASE

DECISION ON AMINOACETIC ACID (GLYCINE)
UNDER THE ANTIDUMPING ACT

The Treasury Department announced today that Aminoacetic Acid (Glycine) from France is being, and is likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

Notice of the determination and the case reference to the Tariff Commission will be published in the Federal Register.

During the period March 1, 1968, through August 31, 1969, Aminoacetic Acid (Glycine) valued at approximately $98,000 was imported from France.

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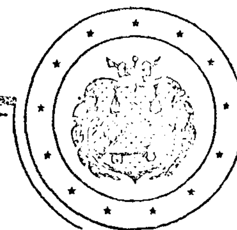
TREASURY DEPARTMENT



WASHINGTON, D.C.
November 20, 1969

FOR IMMEDIATE RELEASE

DECISIONS ON PIG IRON
UNDER THE ANTIDUMPING ACT

The Treasury Department announced today that it has investigated charges of possible dumping of pig iron from Brazil, Sweden, and the United Kingdom.

Notices announcing a tentative determination that this merchandise is not being, nor likely to be, sold at less than fair value within the meaning of the Antidumping Act will be published in an early issue of the Federal Register.

Information gathered in this investigation shows sales to the United States of the merchandise were terminated. There is no information indicating that pig iron will be shipped to the United States from Brazil, Sweden, or the United Kingdom in the near future.

Appraisement of the above-described merchandise from Brazil, Sweden, and the United Kingdom has not been withheld.

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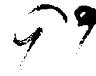
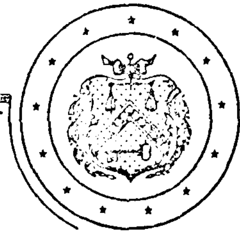
TREASURY DEPARTMENT





WASHINGTON, D.C.

November 20, 1969

FOR IMMEDIATE RELEASE

DECISION ON TETRACYCLINE PRODUCTS
UNDER THE ANTIDUMPING ACT

The Treasury Department announces that a determination has been made that tetracycline products manufactured by Carlo Erba, S.p.A., Milan, Italy, are not being, nor likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160 et seq.).

A tentative determination was published in the Federal Register on September 18, 1969. This notice allowed 30 days for the submission of written views or requests for an opportunity to present views orally. No submissions or requests were received.

During the period March 1, 1968, through November 30, 1968, tetracycline products valued at approximately $883,990 were exported to the United States by Carlo Erba, S.p.A., Milan, Italy.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE 6:30 P.M.,
Friday, November 21, 1969.

RESULTS OF TREASURY'S OFFERING OF $2.5 BILLION TAX ANTICIPATION BILLS

The Treasury Department announced that the tenders for two series of Treasury Tax Anticipation bills, one series to be an additional issue of the bills dated October 14, 1969, and the other series to be an additional issue of the bills dated October 29, 1969, which were offered on November 17, 1969, were opened at the Federal Reserve Banks today. Tenders were invited for $1,000,000,000, or thereabouts, of 147-day bills and for $1,500,000,000, or thereabouts, of 208-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	147-day Treasury bills maturing April 22, 1970		208-day Treasury bills maturing June 22, 1970	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	96.869 a/	7.668%	95.484 b/	7.816%
Low	96.782	7.881%	95.349	8.050%
Average	96.809	7.815% 1/	95.392	7.975% 1/

a/ Excepting 1 tender of $200,000; b/Excepting 3 tenders totaling $400,000
1% of the amount of 147-day bills bid for at the low price was accepted
21% of the amount of 208-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 20,620,000	$ 10,620,000	$ 114,582,000	$ 81,082,000
New York	1,284,204,000	366,454,000	1,727,456,000	769,056,000
Philadelphia	106,340,000	13,340,000	103,080,000	61,280,000
Cleveland	166,827,000	115,427,000	62,982,000	55,482,000
Richmond	55,189,000	20,739,000	57,030,000	52,030,000
Atlanta	53,550,000	20,760,000	35,630,000	28,630,000
Chicago	243,595,000	161,595,000	253,643,000	147,323,000
St. Louis	54,316,000	31,846,000	59,343,000	38,235,000
Minneapolis	99,600,000	59,800,000	97,546,000	61,746,000
Kansas City	59,006,000	51,406,000	58,222,000	49,222,000
Dallas	51,451,000	5,151,000	50,858,000	14,858,000
San Francisco	294,575,000	143,077,000	290,062,000	141,385,000
TOTALS	$2,489,273,000	$1,000,215,000 c/	$2,910,434,000	$1,500,329,000 d/

c/ Includes $113,168,000 noncompetitive tenders accepted at the average price of 96.809
d/ Includes $102,082,000 noncompetitive tenders accepted at the average price of 95.392
1/ These rates are on a bank discount basis. The equivalent coupon issue yields are 8.18% for the 147-day bills, and 8.43% for the 208-day bills.

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TREASURY DEPARTMENT
Washington

FOR RELEASE UPON DELIVERY
SCHEDULED FOR 3:50 P.M.

REMARKS OF THE HONORABLE DAVID M. KENNEDY
SECRETARY OF THE TREASURY
BEFORE THE "BRIEFING FOR BUSINESS"
HOTEL SHERATON-PARK
FRIDAY, NOVEMBER 21, 1969

Chairman McCracken has described for you the basic ingredients in our anti-inflation package. I want to impress upon you, as clearly and as strongly as I can, that we are determined to pursue a policy of monetary and fiscal restraint until we have restored basic health and stability to the econom .

If you take but one thing home with you this afternoon, I hope it will be this all-important message: The Nixon Administration intends to halt the spiral of rising prices. We have no illusions that it will be easy. We make no false promises of quick success. But we do say we are prepared to see the job through. And the sooner that message gets through -- the sooner business, labor, and consumers can again make their plans in the expectation of a leveling of prices -- the better foundation we will have for a resumption of orderly, healthy growth.

I will be frank to say that after four years of mounting inflationary pressures, the new Administration found the degree and persistence of inflation greater than anticipated. Today we see a few heartening signs that progress is beginning to be made. But we must not jump to the conclusion that our job is done.

The battlelines against inflation are being drawn on several fronts -- nowhere more critically than in the halls of Congress as it deals with tax and expenditure legislation. Plainly, our strategy could be upset if any Congressional attitude were to develop that "a few billions added to the budget, or a few extra billions in tax cuts won't make any difference."

I believe that in the end the Congress will act with a high degree of fiscal responsibility. But I have learned since coming to Washington that you can take nothing for granted. The Administration has to sell its program -- and that is as it should be. We have tried to make clear to the Congress and to the public the vital importance of the Federal budget posture to our overall fight against inflation.

Frankly, I don't think we have yet succeeded in getting fully across to the Congress and the public the importance of this effort.

Look what is happening in the Congress today. Large future tax cuts are being considered at the same time as tax increases designed to control inflation. And while the Congress is moving ahead on vital short-run, revenue measures, it also has under consideration measures which could add another $5 billion to spending in the current fiscal year.

Some of the very people who urge the Administration to expand public spending on important national needs are leading the fight for future tax cuts that will limit our fiscal ability to meet those needs without inflation. Personally, I have deep concern for the future of a people who permit their aspirations to outrun their willingness or ability to pay the necessary costs.

I suppose it is hard for a people accustomed to a steady and rapid rise in affluence to tighten its belt. But there comes a time when a mild dose of austerity and restraint can save us from more serious medicine later on. I think we are living in such a time today.

There is little doubt in my mind that over the long run the balance of risks in our economy lies on the side of inflation. The expectations of our people are high and rising. Demands for better housing, more and better education and a rising standard of living for all people are very large.

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Yet if we try to satisfy all these demands at once, our efforts will be self-defeating. They can only be met by striking a balance between spending and saving. Only by moderating current spending can we release the resources required to better meet our society's great needs without inflation. Unless we remember this lesson, which is as old as economic history itself, I foresee a difficult and frustrating time ahead for the American people.

As leaders of the American business community, I think this is a lesson you understand and accept. I believe that you have an obligation not only to heed that lesson in your corporate and business affairs but, equally important, to help carry that message to the American people.

The record will show that this Administration is attempting to practice what we preach. Two years ago, the government ran a massive, and inflationary budget deficit of $25 billion. For the fiscal year that ended last June, the budget showed a long-overdue surplus -- one of $3 billion. For the current fiscal year, we seek a badly-needed anti-inflationary surplus of about $6 billion.

Since taking office, the Administration has cut back the spending level implied in the last Johnson budget by $7.5 billion. The President has pledged to hold government spending below the level set by Congress.

In addition to achieving these tough controls on spending, we have recommended legislation to raise the revenues needed to produce a significant budget surplus. These revenues are vitally important to our program. As I have said before, the question is not whether they are too much, but whether they will prove enough.

Unless these tax measures are enacted by the Congress, we will fall $4 billion short of our minimum necessary measure of budget restraint this fiscal year. This would inject additional billions into the private spending stream, further increasing the inflationary pressure. In addition, the Treasury would be required to place additional strain on the money markets. I need not describe to this audience the pressures already prevailing in credit markets, and the historically high rate levels that have been reached.

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Plainly, we must end the vicious cycle in which inflation and inflationary expectations, on the one hand, make lenders shy away from long-term commitments in fixed interest securities and, on the other hand, unnecessarily add further to the already heavy demands in those markets. Restrictive money policy has its logical complement in a budget surplus, and we must carry through on both sides of the equation.

Let me emphasize, too, that it is the small saver who fares worst in this inflationary cycle. We in the Treasury have been particularly conscious of the loyal investor in U.S. Savings Bonds, who is plainly not being paid an adequate rate of return. Fundamentally, these millions of individuals are entitled to a fair return on the dollars they save. In today's markets they are entitled to a higher interest return on their Savings Bonds. This inequity should be corrected immediately, and I hope the Congress will move quickly on passage of the increase in the Savings Bond rate to 5 percent that we proposed last summer.

But the small saver is not the only one hurt by the inflation of interest rates. A lot of deserving and needy borrowers, particularly home buyers and state and local governments, are also being priced out of the capital markets.

Let me add one other variable to this picture. Inflation not only disrupts economic life here in the United States, it also deeply affects our relationship to the international economy. With unrestrained price increases, our competitive position and our foreign trade balance suffer, our balance of payments position is weakened, and confidence in the dollar -- on which our international monetary system depends -- is eroded.

Recently a number of encouraging developments have strengthened the world financial system, leading to calmer markets and a substantially improved outlook. A key factor in sustaining and building upon that progress is the success of the United States in dealing with its internal economic problems. I know from my

own personal discussions that foreign central bankers and finance ministers applaud our anti-inflationary program. They regard our success vital not only to our own economic progress but to that of the world community at large.

Largely because of domestic inflation, our balance of payments data -- and particularly the virtual disappearance of our traditional large surplus on trade account -- do not make happy reading. We have a long, hard road ahead of us to restore that position. We in the Administration conceive of this as a long-term challenge, to be dealt with through fundamentals.

Intensive work is underway to provide for a more aggressive export effort. Export credit programs have had a thorough review, and will be more adequately funded and administered with energy and imagination. Our tax arrangements are under intensive study to remove unnecessary and undesirable impediments and inequities that may impede the exporter.

Incidentally, we are now completing a review of the Federal Reserve and Commerce Department programs dealing with capital outflows. Given the balance of payments situation, those programs must be retained. But we can do much to simplify their administration, and to make sure they do not inhibit exports or investment in less developed countries.

But in the end, this challenge will be met or not met on the basis of our success against inflation and our success in maintaining the productivity and efficiency of our industry.

One of the factors that will be important in achieving this goal is the lower level of interest rates that will become possible when inflation is under control. Lower interest rates are important to your future investment plans. The economic policies we have set in motion will not only lead to lower interest rates, but will re-establish the strong, healthy markets which, in the end, provide the only lasting incentive to high capital investment.

If we are to rely on our tax structure to help lick inflation, we must be sure the burden is distributed fairly and equitably.

For the past ten months, the Treasury tax staff, with their counterparts on the tax-writing committees of Congress, have been working around the clock on a sweeping revision of our tax laws. The tax reform bill will come up on the floor within the next several days. Hopefully, the Senate will complete action this year. But if not, I believe it is vital to our inflation-control program to split off the short-run, revenue-raising measures and enact them separately

For the future, the Treasury hopes to propose additional reforms affecting depreciation, employee benefits, foreign income, particularly including provisions relating to exports; exempt organizations, and other matters. One objective of our efforts will be to provide a better balance between consumption and investment. In a number of these areas, we are being aided by the current studies of the Presidential Task Force on business taxation.

The task we face -- which we cannot accomplish without your assistance -- is to make certain that every change we make is a step forward, that it makes our tax policy serve our changing society more effectively.

In moving forward, we must not let the myriad detail involved in tax legislation obscure our broad objectives. Essentially, our goal is a revision of our income tax structure which will be fair to all our citizens and will contribute to a strong and growing economy, to the strong and growing America we all desire.

In all these matters, we have now reached a critical stage. On the surface, the strains are plain. But, beneath the surface turbulence, I also believe we can see the process of constructive change at work. It has been slow, hard work, and we do not mean to falter now.

We will need your cooperation and understanding, as we do of all elements in our economy. But with that help, I have every reason for confidence that these difficult days are laying the groundwork for renewed balance and orderly growth in the American economy.

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DEPARTMENT OF THE TREASURY
Washington, D. C.

FOR RELEASE UPON DELIVERY

REMARKS OF THE HONORABLE MURRAY L. WEIDENBAUM
ASSISTANT SECRETARY OF THE TREASURY FOR ECONOMIC POLICY
BEFORE THE CONFERENCE ON SOCIAL SCIENCE AND NATIONAL POLICY
RUTGERS UNIVERSITY, NEW BRUNSWICK, NEW JERSEY
TUESDAY, NOVEMBER 25, 1969, 8:00 P. M., EST

THE ROLE OF THE COLLEGE PROFESSOR IN THE NIXON ADMINISTRATION

I welcome the opportunity to participate in this pioneering effort to evaluate the role of social science in the formation of national policy. As a member of the Administration in office, I believe that it would be presumptuous of me to make such an evaluation. Rather, I believe that I can provide some factual information which may be of use and interest to my fellow participants.

I am pleased to report that the Nixon Administration has brought in faculty from colleges and universities and appointed them to some of the most senior positions in the White House, in the Cabinet Departments, and in many other agencies of the Federal Government. Although it may have escaped widespread attention, I believe that this substantial infusion of academic talent is one of the hallmarks of the Nixon Administration.

This movement of professional personnel between government and academia, which we take for granted in the United States, is, in contrast, a rarity in many European countries. Personally,

I think that this aspect of labor mobility provides an element of considerable strength in our society. This relatively fluid situation, of course, requires that channels of communication between the public and private sectors be open and further developed.

The White House

Let me now turn from generalizations to specific instances. Perhaps the most prominent example of the utilization of outstanding academic people in the Federal Government was the appointment of Professor Arthur F. Burns of Columbia University to the new Cabinet-level position of Counsellor to the President. A former president of the National Bureau of Economic Research, Dr. Burns has made fundamental contributions to the field of business cycle analysis. Recently, the President has announced that he will appoint Dr. Burns to the position of Chairman of the Board of Governors of the Federal Reserve System -- the first time, to my knowledge, that a university professor has been appointed to that influential post.

I do not mean to be partial to economists. Other outstanding social scientists have been appointed to top-level positions in the White House. For example, sociologist Dr. Daniel Patrick Moynihan resigned his position as Director of the Joint Urban Center at Harvard University and MIT to take on the new post of Assistant to the President for Urban

Affairs. Dr. Moynihan is also the primary motivating force in the new Cabinet-level Council on Urban Affairs. When Dr. Burns leaves the White House early next year, Dr. Moynihan is scheduled to be elevated to the position of Counsellor to the President.

In the field of international affairs, Political Science Professor Henry A. Kissinger of Harvard University serves as the President's Assistant for National Security Affairs, a post which continues to be one of the most influential in Government.

Other noted academics hold senior positions in the White House. Professor Martin Anderson is on leave from Columbia University to serve as Special Assistant to the President. Special Assistant Roger Freeman is on leave from Stanford University. Also, one of Professor Kissinger's key assistants is Professor Richard Cooper of Yale University.

The Executive Office of the President

Within the Executive Office of the President -- the agencies which report to the President but are not part of the White House proper -- a rather distinguished group of university men are in residence. The Science Adviser to the President, who also serves as head of the Office of Science and Technology, is the world-renowned scientist, Dr. Lee A. Du Bridge. Dr. Du Bridge assumed his present position from the presidency of the California Institute of Technology.

The three members of the Council of Economic Advisers are Professor Paul W. McCracken of the University of Michigan, Chairman; Professor Hendrik S. Houthakker of Harvard University, and Dr. Herbert Stein, on leave as a Senior Fellow at the Brookings Institution. Houthakker is a recipient of the John Bates Clark Award of the American Economic Association, which is given for outstanding contribution to economics.

In the Bureau of the Budget, Dr. James R. Schlesinger was brought in from Rand Corporation to serve as an Assistant Director. Previously, Dr. Schlesinger had been a member of the faculty of the University of Virginia. Another Assistant Director, Dr. Richard Nathan, came from the Brookings Institution.

Cabinet Departments

When we examine the major departments of the Federal Government, we find that two are headed by men from the academic world and that most of the others have brought in college and university faculty to senior policy-making positions.

The Secretary of Agriculture is Clifford Hardin, formerly Chancellor of the University of Nebraska. The Assistant Secretary of Agriculture for Rural Development, Thomas Cowden, was previously Dean of the School of Agriculture at Michigan State University. The Director of Agricultural Economics, Dr. Donald A. Paarlberg, came from a professorship of economics at Purdue University.

The Secretary of Labor is Professor George P. Shultz, formerly Dean of the School of Business at the University of Chicago. Dr. Shultz is a nationally-known expert in labor economics and mediation. Other senior members of the new Labor Department administration include Assistant Secretary Arnold R. Weber, formerly a professor of economics at the University of Chicago, and Deputy Under Secretary George H. Hildebrand, on leave from an economics professorship at Cornell University. The newly-appointed Commissioner of the Bureau of Labor Statistics is Dr. Geoffrey H. Moore, formerly Director of Research of the National Bureau of Economic Research.

At the Department of Commerce, the Assistant Secretary for Science and Technology, Myron Tribus, came from the position of Dean of the School of Engineering at Dartmouth College.

At the Department of Health, Education and Welfare, the Assistant Secretary for Health and Science Affairs, Dr. Roger Egeberg, previously was Dean of the Medical School of the University of Southern California.

Cambridge also provided an attractive recruiting grounds for the Department of Transportation. Assistant Secretary Paul Cherington came from Harvard where he was Professor of Business Administration, and Assistant Secretary Secor D. Browne came from a professorship of Aeronautical Engineering at the Massachusetts Institute of Technology. Professor Browne has recently been appointed Chairman of the Civil Aeronautics Board.

At the Post Office Department, Assistant Postmaster General Ronald E. Lee previously had served at Michigan State University where he was a professor and Director of the Center for Urban Affairs.

At the Department of Defense, Assistant Secretary G. Warren Nutter is the former Chairman of the Department of Economics at the University of Virginia.

At the Department of the Treasury, Professor Edwin S. Cohen of the Law School of the University of Virginia serves as Assistant Secretary for Tax Policy and I was formerly Chairman of the Department of Economics at Washington University (and am currently on leave of absence). Also at Treasury, Professor Henry C. Wallich of Yale University serves as Senior Consultant in part-time residence.

I should hasten to add that this listing is meant to be more illustrative than exhaustive, excluding as it does the various agencies, commissions, and boards not attached to the Cabinet Departments. Undoubtedly and unwittingly, I may have omitted the names of several fellow members of the Nixon Administration with whom I serve. I am confident that they will correct my error upon my return from this conference.

In any event, I should like to emphasize that the new Administration in Washington has drawn a most diversified group of people to staff its senior positions. The White

House, Cabinet, and sub-Cabinet personnel who have been appointed by the President include businessmen, state and local government officials, men and women in the various professions, as well as a good representation of college professors.

Some New Mechanisms

I thought that it might be helpful for me to indicate some of the current projects and new mechanisms for problem solving adopted by the Nixon Administration which particularly lend themselves to scholarly examination. The broad gauge nature of our approach may be indicated by the listing of some of these current projects: reforming the welfare system, analyzing various economic policy options for the post-Vietnam time period, and originating a program of revenue sharing with the states and localities. This latter project, I might add, has had very strong academic ties both at the conceptual period as well as the more recent developmental stage. Professor Walter Heller, now back at the University of Minnesota, and Dr. Joseph Pechman, of the Brookings Institution, of course made important contributions to the basic concept. The Administration Task Force on Revenue Sharing operated under guidance of Dr. Arthur Burns. Some of the most active members of the Task Force included Dr. Richard Nathan and Dr. Martin Anderson. I had the pleasure of serving as chairman.

In addition, there are several important new mechanisms for problem solving which are being utilized by the Nixon Administration. The Urban Affairs Council, mentioned previously, is an effort to deal forthrightly with the crises in our cities by fostering the close interaction of the various departmental programs which can contribute to solving our urban problems. Similarly, the Cabinet Committee on Economic Policy is an innovative, high-level attempt to coordinate economic policies within our government.

Perhaps some of the most striking examples of innovation are the long-range planning projects being undertaken by the Presidential Task Forces and the National Goals Project. Both of these latter activities serve as arenas for thoughtful examination and debate and will provide bases for decisions on future courses of action. Both have a high proportion of representation from the academic community.

The National Goals Research Staff, operating under the direct auspices of the White House, has an ambitious and formidable charter. Its mandate includes the following impressive array of activities that it is empowered to undertake, at least from time to time:

-- forecasting future developments and assessing the longer-range consequences of present social trends.

-- measuring the probable future impact of alternative courses of action, including the degree to which change in one area would be likely to affect another.

-- estimating the actual range of social choice, indicating what alternative set of goals might be attainable, in light of the availability of resources and possible rates of progress.

-- developing and monitoring social indicators that can reflect the present and future quality of American life, as well as its direction and rate of change.

-- summarizing and correlating the results of related research activities being carried on within the various Federal agencies, and by state and local governments and private organizations.

The first assignment of this new research group is to assemble data that can help illuminate the possible range of national goals for 1976 -- our 200th anniversary. It will prepare a yearly public report, the first scheduled for July 4 of next year, setting forth some of the key choices open to us, and examining the consequences of those choices. The National Goals Research Staff is essentially an in-house

effort, drawing in good measure on personnel on leave from government agencies and university departments.

In contrast, the Administration task forces are composed entirely of volunteers who are not on the Federal payroll. These task forces provide a most effective method for opening up a new channel of communication between academia and the Federal Government. Five of the 16 task force chairmen so far named are college professors or administrators. When I last checked, 61 of the 214 task force members were holding academic positions.

As you might suspect, the Task Force on Priorities in Higher Education is chaired by a university president (James M. Hester of New York University) and the membership consists almost entirely of college presidents (Kansas State, Utah, Tuskegee, Vanderbilt, Rockford, MIT, Chicago, Minnesota, Williams, Portland, and Missouri). In addition, academic personnel from Columbia, Harvard, Northwestern, and UCLA chair the task forces on low-income housing, model cities, highway safety, and economic growth.

As I examine the composition of the other task forces, I find that college professors -- along of course with representatives of the other segments of our society -- are liberally included in the studies of such diverse areas as urban renewal, oceanography, problems of the aging, science policy, rural

development, business taxation, and international development. The colleges they come from include Stanford and Prairie View A & M, Dartmouth and Vassar, Washington and Oregon State, to indicate just some of the variety.

In a sense, what I have been describing here is the academic input to policy-making in the Federal Government. What contribution we make to the output of policy decisions and implementation will, in good measure, depend on our ability to effectively relate our professional skills and knowledge to the needs and requirements of the President and his Administration. I hope that the input-output analysis that will be performed some day will show that the results are somewhat proportional to the quality and quantity of those intellectual inputs.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

November 21, 1969

FOR IMMEDIATE RELEASE

GEOFFREY A. SHEPARD APPOINTED
WHITE HOUSE FELLOW

Geoffrey A. Shepard, a native of Southern California, has been appointed a White House Fellow and assigned to the Office of the Secretary of the Treasury.

Mr. Shepard, 24, received a Juris Doctor from the Harvard Law School, Cum Laude, in June 1969. Previously, he was graduated from Whittier College, Whittier, California, with high honors in 1966, with a major in Political Science. While at Whittier, he received the Richard M. Nixon Political Science Award, which was personally presented by Mr. Nixon in 1965. Mr. Shepard attended both Whittier and Harvard on scholarships, distinguishing himself at both schools academically and in student affairs and government.

He was graduated from the Woodrow Wilson High School in Long Beach, California, in 1962, where he was a National Merit Finalist. Since he was 12, Mr. Shepard has worked every summer to help support himself. He has been a box boy, electrician, weightmaster and law clerk. He is a member of the Washington State Bar and practiced law briefly in Seattle prior to accepting his White House Fellow appointment.

Established in 1964, the White House Fellows program is designed to give potential leaders a year of first-hand, high-level experience working with government officials in formulating and effecting national policy. In his assignment to Treasury Secretary David M. Kennedy and his staff, Mr. Shepard will have opportunity to observe and study Treasury's domestic and international operations.

In addition to their jobs, White House Fellows participate in an educational program that includes informal discussion with government officials, scholars, journalists, and leaders from other segments of private life. The Fellows program is open to all persons who are between 23 and 35 years of age, excluding Civil Service employees. During the first five years of the program over 7,000 young men and women have applied and 86 Fellows have been appointed.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

OR RELEASE 6:30 P.M.,
onday, November 24, 1969.

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 August 28, 1969, and the ther series to be dated November 28, 1969, which were offered on November 19, 1969, were pened at the Federal Reserve Banks today. Tenders were invited for $1,800,000,000, r thereabouts, of 90-day bills and for $1,200,000,000, or thereabouts, of 181-day ills. The details of the two series are as follows:

ANGE OF ACCEPTED OMPETITIVE BIDS:	90-day Treasury bills maturing February 26, 1970		181-day Treasury bills maturing May 28, 1970	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	98.178 a/	7.288%	95.968 b/	8.019%
Low	98.119	7.524%	95.962	8.031%
Average	98.131	7.476% 1/	95.964	8.027% 1/

Excepting 1 tender of $1,212,000; b/Excepting 2 tenders totaling $5,115,000
41% of the amount of 90-day bills bid for at the low price was accepted
76% of the amount of 181-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	$ 33,786,000	$ 23,786,000	$ 7,270,000	$ 7,270,000
New York	2,154,552,000	1,319,102,000	2,719,358,000	975,507,000
Philadelphia	41,866,000	26,866,000	21,519,000	10,540,000
Cleveland	37,357,000	37,357,000	46,808,000	25,199,000
Richmond	21,306,000	21,306,000	16,228,000	10,228,000
Atlanta	37,858,000	28,878,000	32,222,000	15,676,000
Chicago	145,947,000	143,677,000	227,837,000	36,288,000
St. Louis	42,426,000	41,949,000	41,916,000	31,016,000
Minneapolis	22,252,000	13,252,000	18,590,000	6,590,000
Kansas City	28,217,000	28,217,000	23,145,000	18,728,000
Dallas	24,209,000	20,209,000	21,473,000	11,457,000
San Francisco	143,474,000	95,859,000	216,090,000	52,845,000
TOTALS	$2,733,250,000	$1,800,458,000 c/	$3,392,456,000	$1,201,344,000 d/

Includes $337,510,000 noncompetitive tenders accepted at the average price of 98.131
Includes $225,295,000 noncompetitive tenders accepted at the average price of 95.964
These rates are on a bank discount basis. The equivalent coupon issue yields are 7.72% for the 90-day bills, and 8.48% for the 181-day bills.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

November 25, 1969

FOR IMMEDIATE RELEASE

ANTIDUMPING DECISION MADE ON
STEEL BARS, REINFORCING BARS, AND SHAPES

The Treasury Department announced today that steel bars, reinforcing bars, and shapes manufactured by The Broken Hill Proprietary Co., Ltd., Melbourne, Australia, are being, and are likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

Notice of the determination and the case reference to the Tariff Commission will be published in the Federal Register.

During the period May 1968 through May 1969, steel bars, reinforcing bars, and shapes valued at approximately $5,420,800 were imported from Australia. There have been no imports subsequent to this period.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

R RELEASE 6:30 P.M.,
esday, November 25, 1969.

RESULTS OF TREASURY'S MONTHLY 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 August 31, 1969, and the her series to be dated November 30, 1969, which were offered on November 19, 1969, were ened at the Federal Reserve Banks today. Tenders were invited for $500,000,000, or ereabouts, of 273-day bills and for $1,000,000,000, or thereabouts, of 365-day bills. e details of the two series are as follows:

NGE OF ACCEPTED MPETITIVE BIDS:	273-day Treasury bills maturing August 31, 1970		:	365-day Treasury bills maturing November 30, 1970	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	94.167	7.692%	:	92.347 a/	7.548%
Low	94.085	7.800%	:	92.274	7.620%
Average	94.102	7.778% 1/	:	92.303	7.592% 1/

a/ Excepting one tender of $400,000
62% of the amount of 273-day bills bid for at the low price was accepted
64% of the amount of 365-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	$ 1,703,000	$ 303,000	:	$ 17,301,000	$ 6,901,000
New York	1,212,198,000	429,019,000	:	1,581,641,000	727,318,000
Philadelphia	8,469,000	2,574,000	:	12,853,000	2,853,000
Cleveland	6,663,000	4,663,000	:	29,496,000	3,696,000
Richmond	6,336,000	6,336,000	:	20,410,000	6,965,000
Atlanta	14,043,000	2,743,000	:	18,807,000	8,346,000
Chicago	104,210,000	37,158,000	:	275,860,000	217,860,000
St. Louis	10,330,000	1,630,000	:	15,704,000	5,404,000
Minneapolis	230,000	230,000	:	1,171,000	1,171,000
Kansas City	2,007,000	2,007,000	:	5,386,000	5,370,000
Dallas	12,168,000	2,168,000	:	11,928,000	1,928,000
San Francisco	143,208,000	11,208,000	:	256,279,000	12,226,000
TOTALS	$1,521,565,000	$ 500,039,000 b/		$2,246,836,000	$1,000,038,000 c/

Includes $19,476,000 noncompetitive tenders accepted at the average price of 94.102
Includes $59,118,000 noncompetitive tenders accepted at the average price of 92.303
These rates are on a bank discount basis. The equivalent coupon issue yields are 8.27% for the 273-day bills, and 8.17% for the 365-day bills.

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REASURY DEPARTMENT

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WASHINGTON, D.C.

November 26, 1969

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 $ 3,000,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing December 4, 1969, in the amount of $ 2,903,767,000, as follows:

91 -day bills (to maturity date) to be issued December 4, 1969, in the amount of $ 1,800,000,000, or thereabouts, representing an additional amount of bills dated September 4, 1969, and to mature March 5, 1970, originally issued in the amount of $1,201,020,000, the additional and original bills to be freely interchangeable.

182 -day bills, for $ 1,200,000,000, or thereabouts, to be dated December 4, 1969, and to mature June 4, 1970.

The bills of both series will be issued on a discount basis under competitive and noncompetive 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, December 1, 1969. 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 December 4, 1969, in cash or other immediately available funds or in a like face amount of Treasury bills maturing December 4, 1969. 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.

November 28, 1969

FOR IMMEDIATE RELEASE

SECRETARY KENNEDY SCHEDULED TO GO TO EUROPE

Secretary of the Treasury David Kennedy is scheduled to attend the annual ministerial meetings of the North Atlantic Treaty Organization in Brussels next week.

He will take advantage of his presence in Europe to visit a number of his counterparts and others. In addition to Belgium, the Secretary plans visits to the Netherlands, the United Kingdom, Germany, France, and Italy. He will leave Washington with Secretary of State William Rogers on December 2 to attend the NATO meeting and will return December 14.

Secretary Kennedy looks upon the visit as an opportunity to emphasize the importance of sound financial planning to the NATO alliance, as well as to exchange views with Finance Ministers and Central Bank Governors on the general international monetary outlook.

In Brussels he plans to meet with Baron Snoy et D'Oppuers, Minister of Finance, and Hubert Ansiaux, Governor of the Belgian National Bank. He will also see Jean Rey, President of the Commission of the European Communities, and Raymond Barre, Vice President of the Commission responsible for economic and financial affairs.

In the Netherlands he will meet with Hendrikus Witteveen, Minister of Finance, and J.Zijlstra, President of the Netherlands National Bank.

In London he expects to see Prime Minister Harold Wilson, and Chancellor of the Exchequer Roy Jenkins.

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In Germany he plans to meet with Karl Schiller, Minister of Economics; Alex Moeller, Minister of Finance, and Karl Blessing, President of the German Bundesbank.

In Paris, meetings have been arranged with Valery Giscard D'Estaing, Minister of Economy and Finance, and Oliver Wormser, Governor of the Bank of France, as well as with Emile Van Lennep, Secretary General of the Organization for Economic Cooperation and Development.

While in Rome he will see Emilio Colombo, Minister of the Treasury, and Guido Carli, Governor of the Bank of Italy.

Under Secretary of the Treasury for Monetary Affairs Paul A. Volcker will accompany the Secretary on his trip.

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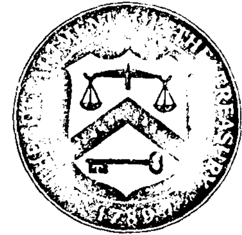
TREASURY DEPARTMENT



WASHINGTON, D.C.

November 28, 1969

FOR IMMEDIATE RELEASE

TREASURY TERMINATES GOLD DEPOSITS AT THE MINTS FOR EXCHANGE

The Treasury Department announced today that after close of business on December 31, U.S. mints and assay offices will no longer accept gold exchange deposits.

The decision was made, Treasury said, because it has been determined that private refineries have the capacity to fulfill the refinery needs of industrial users of gold, and it is not necessary for Treasury to maintain this service.

Under the present exchange program, Industrial users of gold, upon payment of a fee have been able to deposit gold with the Treasury -- usually in the form of scrap -- and receive an equal amount of fine gold in return.

For all extents and purposes, Treasury purchases and sales of gold in the private market ended when the United States in March 1968 -- along with other major Western nations -- agreed to segregate monetary gold transactions from private gold transactions. However, Treasury continued to accept gold exchange deposits pending a study of the availability of private refinery capacity in the United States. The study showed that private capacity is now fully adequate to fulfill the refinery needs of industrial users of gold and Treasury should no longer maintain this service.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

OR RELEASE 6:30 P.M.,
onday, December 1, 1969.

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 September 4, 1969, and the ther series to be dated December 4, 1969, which were offered on November 26, 1969, were pened at the Federal Reserve Banks today. Tenders were invited for $1,800,000,000, r thereabouts, of 91-day bills and for $1,200,000,000, or thereabouts, of 182-day ills. The details of the two series are as follows:

ANGE OF ACCEPTED OMPETITIVE BIDS:	91-day Treasury bills maturing March 5, 1970		:	182-day Treasury bills maturing June 4, 1970	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	98.132	7.390%	:	96.182 a/	7.552%
Low	98.109	7.481%	:	96.132	7.651%
Average	98.116	7.453% 1/	:	96.151	7.613% 1/

a/ Excepting 1 tender of $200,000
72% of the amount of 91-day bills bid for at the low price was accepted
17% 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	$ 42,424,000	$ 32,424,000	:	$ 8,956,000	$ 8,956,000
New York	2,113,535,000	1,190,895,000	:	1,615,234,000	794,539,000
Philadelphia	39,637,000	24,627,000	:	24,155,000	14,154,000
Cleveland	33,816,000	32,966,000	:	41,554,000	40,104,000
Richmond	26,531,000	26,521,000	:	31,483,000	31,483,000
Atlanta	42,208,000	28,183,000	:	40,569,000	27,283,000
Chicago	262,303,000	248,223,000	:	140,433,000	107,433,000
St. Louis	44,969,000	39,369,000	:	32,799,000	29,769,000
Minneapolis	30,742,000	26,102,000	:	20,259,000	16,599,000
Kansas City	32,762,000	32,762,000	:	28,281,000	27,278,000
Dallas	28,142,000	18,862,000	:	25,414,000	15,584,000
San Francisco	170,737,000	99,397,000	:	142,531,000	86,868,000
TOTALS	$2,867,806,000	$1,800,331,000 b/		$2,151,668,000	$1,200,050,000 c/

Includes $346,417,000 noncompetitive tenders accepted at the average price of 98.116
Includes $259,909,000 noncompetitive tenders accepted at the average price of 96.151
These rates are on a bank discount basis. The equivalent coupon issue yields are 7.70% for the 91-day bills, and 8.03% for the 182-day bills.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

December 1, 1969

FOR IMMEDIATE RELEASE

STATEMENT BY TREASURY SECRETARY DAVID M. KENNEDY
ON PRESIDENT NIXON'S SIGNING INTO LAW
NEW SAVINGS BOND LEGISLATION

The President today signed into law legislation permitting interest rates on U.S. savings bonds to be increased to 5 percent when held to maturity. This 5 percent rate assures a more equitable return to the millions of purchasers of savings bonds. It also will permit these bonds to continue to make an important contribution to a sound structure of the public debt, by enabling them to remain competitive with other types of savings instruments.

All outstanding series E and H savings bonds now yielding less than 5 percent to their maturity, regardless of when they were purchased or in what maturity period they are, will have their interest increased to yield a full 5 percent from June 1, 1969, to their maturity. This means there is no reason for any savings bond owner to redeem outstanding savings bonds for new ones.

Sales of freedom shares, which already pay 5 percent interest, will be discontinued after June 30, 1970. The delay will give employees who buy freedom shares through payroll savings plans an opportunity to change their deduction programs to savings bonds in an orderly manner.

The continued purchase of savings bonds is especially important today when we are engaged in an all-out effort to control inflation and restore health to our economy. The new interest rate of 5 percent should provide an added incentive to those Americans who find savings bonds an attractive and convenient way to provide for their own financial security and contribute to the sound financing of the nation's government.

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SUMMARY OF WEIDENBAUM SPEECH TO 46th ANNUAL CONGRESS OF CITIES

Assistant Treasury Secretary Murray L. Weidenbaum presents answers to the most frequently raised questions on the Administration's revenue-sharing plan.

1. He points out that every city and county automatically gets a share of the Federal funds. "We have worked out a guarantee which both protects the cities and maintains the Federal form of government."

2. "Nearly every large city will receive proportionately more funds than its smaller neighbors. However, the large central cities will get more revenue-sharing money, not just because they are bigger, but because they bear a larger fiscal burden."

3. "So-called suburban 'tax havens' with low tax collections and a narrow range of functions will receive very small shares. Cities with heavy program responsibilities and hence large tax revenues will get larger amounts, even if their populations are the same."

4. "This Federal money will be far different from any Federal money currently being disbursed to our states and cities. It does not come with specific instructions on how to spend the money. Instead, it comes with a challenge -- that you spend the money wisely."

DEPARTMENT OF THE TREASURY
Washington, D. C.

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FOR RELEASE UPON DELIVERY

REMARKS OF THE HONORABLE MURRAY L. WEIDENBAUM
ASSISTANT SECRETARY OF THE TREASURY FOR ECONOMIC POLICY
BEFORE THE 46th ANNUAL CONGRESS OF CITIES
SAN DIEGO, CALIFORNIA
WEDNESDAY, DECEMBER 3, 1969, 2:00 P.M., PST

THE STAKE OF THE CITIES IN REVENUE SHARING

I do not come here to present a panacea to cure all city ills. I do not have with me the Twentieth Century version of snake oil. I do welcome the opportunity to explain a forward-looking proposal of the Nixon Administration which should be of definite value to local governments and particularly to urban areas.

The Administration's proposal to share Federal income tax revenues with state and local governments is the financial heart of what the President calls the "New Federalism." Every mayor with whom I have talked in recent months is familiar with the broad outlines of the proposal, so I would like to turn immediately to the major questions that have arisen.

To be sure, I would be pleased to provide your offices with the detailed analyses of the revenue-sharing plan. Legislation to put it into practice has been introduced in

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the Senate by Senator Howard H. Baker, Jr., and co-sponsored by 32 other Senators (S. 2948) and in the House by Congressman Jackson E. Betts and over 30 other Congressmen (H.R. 13982).

Here are my answers to the questions most frequently asked concerning the Administration's revenue-sharing proposal.

Does all the money go to the state governments exclusively?

The simple answer is "no". Each city gets a portion of the revenue-sharing fund automatically. We have worked out a guarantee which both protects the cities and maintains the Federal form of government. It is true that, initially, the U. S. Treasury makes payments to the states but -- and this is a fundamental "but" -- each state must, in order to qualify for the Federal money, pass on to each city and county a predetermined share of the Federal money.

Certainly, many governors would have preferred to have discretion over the amounts they share with the cities. Indeed, many earlier revenue-sharing proposals left it that way. Of course, many mayors, in contrast, would have liked to have a direct pipeline to the Federal Treasury.

However, in numerous meetings with mayors and governors, we emphasized the critical importance of developing a plan which has the support of both the state governments as well as the local governments. The Administration's revenue-sharing proposal -- with its mandatory pass-through to all cities and counties -- is that middle ground where both state and local interests are adequately and fully protected.

Does the Administration proposal provide enough funds for our large urban centers?

The amounts provided are relatively quite generous. I feel obliged to point out that in developing our local pass-through provision we had to discard many easy-sounding solutions as unworkable. For example, you cannot use a simple per capita distribution among local governments because of the overlapping jurisdictions of cities and counties.

The approach that we have adopted is to distribute revenue-sharing funds within a state to all general-purpose governments in proportion to each unit's general revenue collections. This method not only takes account of the many differences within states and between governments; it also distributes revenue-sharing funds in proportion to the relative activity of each local government.

So-called suburban "tax havens" with low tax collections and a narrow range of functions will receive very small shares. In contrast, cities with heavy program responsibilities and hence large tax revenues will get larger amounts, even if their populations are the same.

In practice, large cities raise most of the locally-raised revenues, and they will receive most of the locally-shared revenues under the Administration's proposal. In fact, nearly every large city will receive not only absolutely

more funds, but also proportionately more funds than its smaller neighbors. However, the large central cities will get more revenue-sharing money not just because they are bigger, but because they bear a larger fiscal burden.

For example, New York City raised $404.81 per capita in general revenues in 1967-68 (the latest figures available), while New Rochelle raised $152.55 and Mount Vernon $121.89. Similar relationships hold for Boston, Chicago, San Francisco, Seattle, Newark, Philadelphia, and other large central cities.

In fact, for all cities in the United States of one million or more, the average per capita revenues were $255.95, compared to $130.14 for cities with population of 200,000 to 300,000 and $78.74 for cities of less than 50,000 (see table).

Average Per Capita Revenues by City Size, 1967-68
General Revenues From Own Sources

City Size	Per Capita Revenues
1,000,000 or more	$255.95
500,000 - 999,999	178.11
300,000 - 499,999	138.79
200,000 - 299,999	130.14
100,000 - 199,999	133.11
50,000 - 99,999	124.11
Less than 50,000	78.74

Source: U. S. Bureau of the Census

Is it desirable to share revenues with all cities and counties, regardless of size?

Yes, we believe that all local governments are faced with fiscal pressures and that all deserve specific inclusion in a general assistance program.

Also, we were unable to find an acceptable or logical point at which direct revenue-sharing funds should be denied a local government. Some proposals would exclude all cities and counties of less than 50,000 population from direct sharing. But over 45 percent of all city residents and 27 percent of all county residents live in such jurisdictions, and it would be patently unfair to exclude such a large portion of our population.

Is the Administration proposal large enough?

This is not really a substantive objection to the basic concepts of the proposal, but rather a disappointment over its size. I can sympathize with such disappointment, but do not believe it is really warranted.

Given the current and near-term budget outlook, we realistically faced two alternatives for introducing revenue sharing: (1) either delay introducing the plan until the funds were available to begin a large-scale program of revenue sharing, or (2) establish the program now -- if only on a modest scale -- and provide for phased increases in

funding as budget pressures permit. The second course of action was clearly preferable. With all the competing claims for limited Federal revenues, it is important to establish the principle of revenue sharing as soon as is practicable.

Even with the "phase-in" approach to introducing revenue sharing, the amounts involved are not trifling. For the first six months of 1971, $500 million will be shared. This will increase to $1.5 billion in the fiscal year 1972, and grow to $5.1 billion by fiscal 1976. These figures represent substantial and achievable distributions. We have deliberately promised only what could be afforded, so that no false expectations might be raised. Finally, a modest but prudent start now of a certain amount need not preclude increased amounts later if conditions warrant.

Some perspective may also be useful here. The taxes that state and local governments collect from their own sources have been growing by about $10 billion a year. The infusion of Federal revenue-sharing funds -- particularly when we reach the full-year effect of $5 billion -- will represent a most substantial increase in the financial intake of state and local treasuries and hence of the fiscal resources available for local programs.

Are state and local governments competent to use revenue-sharing funds effectively?

This question presents a real challenge to you. Personally, I view revenue sharing as an experiment. I hope

and believe that it will work. I certainly think that strengthening our Federal form of government by helping state and local governments is an objective worthy of several billion dollars a year.

Frankly, I am not certain that all of the money will be used wisely. Neither am I certain that all direct Federal spending or indeed that all private expenditure is sensible. You probably have heard, as I have, cynics express the sentiment that the money will be used to pave the mayor's driveway and, if enough is left over, to fancy up the side-walks in front of the houses of the city councilmen.

I do believe that the ultimate amounts that the Congress will be willing to appropriate for revenue sharing will depend on how effectively the funds are used. This is one of the major reasons that we have a reporting requirement in the Administration bill, so that Treasury can keep the President and the Congress informed as to where the money is going.

More than money is transferred to state and local governments under our revenue sharing plan. Unlike the existing grant-in-aid system, decision-making responsibility for the use of these funds is also delegated. State and local officials, not Federal agencies, will establish priorities and allocate expenditures in accordance with the needs of their jurisdictions. The ultimate success of revenue sharing, therefore, will depend on the ability

of state and local governments to make the most efficient and judicious use of these funds. This, in turn, will depend largely on the potential sensitivity of state and local officials to the legitimate needs and interests of their constituents.

This Administration maintains a large measure of confidence in the ability and the willingness of the other levels of government to respond positively to those particular local problems which require public involvement. A major purpose of revenue sharing is to enhance the financial ability of these governments to make such responses. We recognize that all governments, including the state and local governments, are beset with problems. But we are convinced that the potential for effective management of social and public systems is extremely high at the local levels.

How then best to realize this potential? Unlike the Federal Government, your problems are not those of sheer size -- rather you must seek to rekindle interest in local government. For too long, talented people interested in government service have journeyed to Washington. State or local government was too often dismissed as irrelevant. Only later did these people realize that in spite of all the money and publicity in Washington, the really hard practical tasks are at the more local level.

The Administration's revenue-sharing proposal does not require the states or cities to use the money to increase management training or personnel upgrading, although some people urged us to earmark a portion of the funds for such purposes. However meritorious such suggestions may be, we have firmly decided against earmarking any of the revenues. However, there are indications that there is developing a "skill mismatch" as well as a "fiscal mismatch" between the Federal and state-local governments. Not enough good people have been moving into city government service. What is needed is a new sense of involvement in local government.

Fortunately, there are increased signs of the growing professionalism in the area of city government. But we need far more of this awareness, of this professionalism. Fortunately, colleges and universities across the Nation are now beginning to design graduate programs geared specifically toward training young men and women for professional careers in state and local governments. The opportunities would seem to be very great in this area.

Does revenue sharing separate the responsibility for raising taxes from the act of spending tax revenues?

To some extent, the answer is in the affirmative. However, the argument about the separation of tax and spending responsibility is weakened when we examine some obvious facts. For one thing, at the national level, we have the

precedent of the Federal Government already sharing about $25 billion a year with state and local governments, in the form of categorical grants-in-aid.

Furthermore, at the state level, we have the precedent that every state shares revenues with its local governments, many in a completely unrestricted manner. Any adverse criticism that I hear of this arrangement usually comes down to the cities desiring a more generous sharing arrangement.

In good measure, the argument about the separation of responsibilities seems to me to be very artificial in its division of the public sector into separate water-tight compartments. If you grant the three assumptions that (1) the Federal Government is a relatively efficient (i.e., low administrative cost) tax collector, (2) the Federal income tax is a relatively equitable levy, and (3) state and local governments are best equipped to determine local needs and administer local programs, then the conclusion is that some amount of revenue sharing makes good political, social, and economic sense.

Conclusion

We have been pleased by the strong support that the Administration's revenue-sharing proposal has received from many local groups and officials. I believe that an objective

examination of your best interests -- your enlightened self-interest -- will reveal that the enactment of a Federal revenue-sharing plan will be a real help in the perennial fiscal squeeze faced by our Nation's cities.

But we should not forget that this Federal money will be far different from any Federal money currently being disbursed to our states and cities. It does not come with specific instructions on how to spend the money. Instead, it comes with a challenge -- that you spend the money wisely.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

December 1, 1969

FOR IMMEDIATE RELEASE

In response to inquiries the Treasury today released a copy of a letter sent to Russell B. Long, Chairman of the Senate Finance Committee by Edwin S. Cohen, Assistant Secretary for Tax Policy. The letter concerns Senator Albert Gore's proposals dealing with increases of the personal exemption in substitution for standard deduction increases and tax rate reductions contained in H.R. 13270 as reported by the Senate Finance Committee.

A copy of the letter is attached.

Attachment

K-289

THE DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

ISTANT SECRETARY

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December 1, 1969

Dear Mr. Chairman:

In accordance with your request, we are writing to summarize the results of our studies of the proposals of Senator Gore for an increase in the personal exemption and a flat $1,000 standard deduction in lieu of the larger standard deductions and the rate reductions provided in the bill as reported by the Committee on Finance.

We join with the Senate Finance Committee in preferring the provisions of the pending bill to the amendment proposed by Senator Gore. The analyses and computer studies which lead us to agree with the conclusions you yourself reached in your eloquent address to the Senate upon the opening of debate on the bill may be briefly stated as follows:

1. Fiscal Considerations. Senator Gore's first proposal is for a $1,000 personal exemption and a flat standard deduction of $1,000 (hereinafter called the Gore $1,000 plan). Adoption of such an amendment would increase the net long-term revenue loss from $2.3 billion under the Committee bill to $8.1 billion a year. We have already expressed serious concern about the $2.3 billion long-term annual revenue loss under the bill in its present form; such a large further increase could not be countenanced.

Senator Gore's alternate plan involving a personal exemption of $900 would produce a long-term annual revenue loss of $5.3 billion. This would be $3 billion more than the Committee bill -- again a loss that could not be countenanced.

Senator Gore's further alternate proposal for a personal exemption of $800 (hereinafter called the Gore $800 plan) would produce a net revenue loss in the long run substantially the same as that under the Committee bill. However, for the calendar years 1970 and 1971 the Gore $800 plan would lose

approximately $4.8billion in revenue as contrasted with the Committee bill. This loss would be reflected in fiscal years as follows:

Year Ended	Loss in Revenue
June 30, 1970	$0.9 billion
June 30, 1971	2.5 billion
June 30, 1972	1.4 billion
Total	$4.8 billion

In view of current budget restrictions and the intense need for fiscal restraint to combat inflation, we believe such a large loss would be most unwise.

2. Basic Concept of the Personal Exemption. In preparing the Administration's proposal for a Low Income Allowance, we adopted the concept that through the standard deduction and the personal exemption the income tax law should impose no tax on persons whose income is below the poverty level. We found that by current HEW standards the minimum income needed to support a single person is approximately $1,700 and that the minimum additional income needed for additional persons in the family rises about $600 per person. This is what the Committee bill allows -- $1,700 income without tax for a single person, $2,300 for a married couple without children, $2,900 for a married couple with one child, etc., rising $600 for each additional child. These are the levels at which the tax is zero under the Committee bill.

It is true without doubt that most persons will spend more than $600 on the maintenance of each additional member of the family. But when incomes rise above the minimum level we believe it is then appropriate for the persons involved to begin to contribute something to the cost of maintaining the Federal Government. Present law imposes a high tax rate upon the incomes above the exempt minimum. We believe that

efforts should be concentrated, through increases in the standard deduction and through reduction in the tax rates, upon reducing the tax payments required upon incomes above the exempt minimum. The Committee bill proceeds on this theory and we believe that it is sound and desirable policy.

Senator Gore's proposal would exempt from tax an amount per person that substantially exceeds the minimum amount needed to sustain each individual. This would require foregoing increases in the standard deduction above $1,000 and foregoing rate reductions, thus imposing a greater tax burden on incomes above the levels set under his proposals. We believe it is fairer and sounder policy to exempt only the amounts needed as a minimum living standard and to reduce the burdens on amounts above the minimum.

3. <u>Shift in Tax Burden to Single Persons and Smaller Families</u>. Senator Gore's $800 plan would significantly shift the tax burden from large families to single persons and smaller families. Under that plan --

(a) Persons with three or fewer exemptions (single persons and married couples with no children or one dependent child) would pay additional taxes of $1.2 billion.

(b) Persons with four exemptions (generally married persons with two dependent children) would have their taxes reduced by $0.2 billion.

(c) Persons with five or more exemptions (generally married persons with three or more dependent children) would obtain tax reductions of almost $1.0 billion.

Thus the burden of supporting children above the minimum HEW standards would be shifted from the large families which have the children to the single persons and smaller families. Through appropriations for education and other purposes the

costs of raising large families is already borne to a considerable extent by those who did not beget the children. We believe the Committee has acted wisely in lowering the burden on all taxpayers whose incomes are above the minimum HEW levels, particularly upon those whose incomes are modestly above such levels, rather than distributing the tax relief by size of families.

The average additional tax payable by persons with less than four exemptions under the Gore proposal as compared with the Committee bill would be:

Adjusted Gross income	Percent of Additional Tax		
	Single Persons	Married-no children	Married-one child
$ 5,000	+ 2.7%	*	*
7,500	+ 4.1%	*	*
10,000	+11.7%	+ 7.8%	+ 4.5%
12,500	+11.9%	+ 9.0%	+ 6.4%
15,000	+ 8.9%	+ 6.7%	+ 4.6%
17,500	+ 5.6%	+ 4.8%	+ 2.6%
20,000	+ 3.4%	+ 2.9%	+ 1.5%
25,000	+ 4.3%	+ 3.0%	+ 1.4%

(*Less tax under the Gore proposal. The table is based upon personal deductions of 10 percent of adjusted gross income.)

4. Loss in Simplification of the Tax System. The Committee bill through the low income allowance removes 5.6 million persons from the tax rolls and through the standard deduction increases permits 11.6 million persons to shift from itemizing personal deductions to the simple standard deduction. This raises the percentage of total taxable returns that can be filed on the simplified standard deduction basis from 58 percent to 74 percent.

The Gore $800 plan removes 8.4 million persons from the tax rolls but permits only 4.4 million taxable persons to shift from itemizing deductions to the standard deduction. Thus the Gore plan forfeits the benefit of simplification for a large number of taxpayers and for the Internal Revenue Service.

5. Reduction in the Tax Base. The Committee bill, primarily through the low income allowance, reduces the taxable income base to which the specified rates of tax are applied from a present aggregate of $372 billion at present to $350 billion. The tax rate reduction in the bill does not lower the taxable income base.

The Gore $800 plan, by confining the relief to the standard deduction and the personal exemption, would reduce the taxable income base to $327 billion, some $23 billion below the Committee bill level and $45 billion below the current level. This further reduction would seriously affect our fiscal flexibility. If for any reason tax increases should become necessary in the future, the smaller tax base would make larger increases in tax rates necessary to raise the same amount of additional revenue. The effect would be to shift more of the burden of any future tax increases to the middle income groups, where the bulk of the taxable income base is concentrated. We believe that greater flexibility for future changes in the tax structure can be provided if only the minimum sustenance levels are removed from the tax base.

6. Overall Impact of the Bill and the Gore $800 Plan. Taking into account both the reform and the relief provisions, the Committee bill reduces the existing tax burden by about 66 percent on persons with incomes below $3,000 and grants decreasing percentage reductions as income levels rise until it increases the tax by 2.6 percent on incomes above $100,000. Senator Gore's $800 plan would generally follow the same pattern, but with somewhat further reductions in income levels below $10,000 and lesser reductions above the $15,000 level, and a 10.3 percent increase on incomes above $100,000. The overall impact of the Committee bill and Senator Gore's proposal is shown below:

Adjusted gross income class	Committee bill increase or decrease from present law	Gore $800 plan increase or decrease from present law
$ 0 - $3,000	-66.1%	-72.5%
3,000 - 5,000	-30.3%	-36.2%
5,000 - 7,000	-17.0%	-23.0%
7,000 - 10,000	-10.9%	-16.2%
10,000 - 15,000	-10.3%	-10.5%
15,000 - 20,000	- 8.6%	- 7.5%
20,000 - 50,000	- 7.2%	- 5.0%
50,000 -100,000	- 4.8%	- 0.6%
100,000 and over	+ 2.6%	+10.3%
Total	-10.1%	-10.0%

We believe that the Committee bill allocates the overall relief with proper emphasis on incomes below $10,000. Senator Gore's proposal would not be significantly different in overall effect except in its impact on persons with above $50,000. In that category the Committee bill has taken important action to close loopholes and reduce or eliminate tax preferences in the upper brackets, and we believe that having done so it is appropriate for the bill to allocate some part of the tax relief to persons in the

higher levels. This was done in the Revenue Act of 1964 and earlier laws when the tax burden was significantly reduced, and we believe it would be unfair and unwise to alter that course in the present bill.

Our studies lead us to conclude that the Committee bill avoids the added fiscal problems of Senator Gore's proposal; proceeds upon a sounder theory in exempting entirely from tax only the income needed to maintain minimum living standards; avoids shifting the burden of tax from larger families to single persons and small families; achieves greater simplification of the tax system; avoids an unwarranted narrowing of the tax base and achieves a more equitable and sounder allocation of the tax relief.

For these reasons the Treasury strongly supports the provisions of the Committee bill in preference to Senator Gore's proposals.

Sincerely yours,

Edwin S. Cohen
Assistant Secretary

The Honorable
Chairman Russell B. Long
Senate Finance Committee
United States Senate
Washington, D.C. 20510

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REASURY DEPARTMENT

WASHINGTON, D.C.

December 3, 1969

FOR IMMEDIATE RELEASE

DECISION MADE ON AMINOACETIC ACID (GLYCINE) UNDER THE ANTIDUMPING ACT

The Treasury Department announced that a determination has been made that Aminoacetic Acid (Glycine) from Japan is not being, nor likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160 et seq.).

A tentative determination was published in the Federal Register on October 7, 1969. This notice allowed 30 days for the submission of written views or requests for an opportunity to present views orally. No submissions or requests were received.

During the period October 1, 1967, through October 31, 1968, Aminoacetic Acid (Glycine) valued at approximately $119,800 was imported from Japan. There have been no imports subsequent to this period.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

December 3, 1969

FOR IMMEDIATE RELEASE

DECISION MADE ON FIXED RESISTORS OF CARBON COMPOSITION UNDER THE ANTIDUMPING ACT

The Treasury Department announced today that it has investigated charges of possible dumping of fixed resistors of carbon composition from Japan.

A notice announcing a tentative determination that this merchandise is not being, nor likely to be, sold at less than fair value within the meaning of the Antidumping Act will be published in an early issue of the Federal Register.

During the period May 1, 1967, through September 30, 1969, fixed resistors of carbon composition valued at approximately $3,000,000 were imported from Japan.

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REASURY DEPARTMENT

WASHINGTON. D.C.

December 3, 1969

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 $3,000,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing December 11, 1969, in the amount of $2,900,826,000, as follows:

91 -day bills (to maturity date) to be issued December 11,1969, in the amount of $1,800,000,000, or thereabouts, representing an additional amount of bills dated September 11, 1969, and to mature March 12, 1970, originally issued in the amount of $1,201,360,000, the additional and original bills to be freely interchangeable.

182-day bills, for $1,200,000,000, or thereabouts, to be dated December 11,1969, and to mature June 11, 1970.

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, December 8, 1969. 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 December 11, 1969 , in cash or other immediately available funds or in a like face amount of Treasury bills maturing December 11, 1969. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE

December 3, 1969

UNITED STATES FOREIGN GOLD TRANSACTIONS THIRD QUARTER 1969

The Treasury Department released figures today on United States net monetary gold transactions with foreign countries and international institutions during July - September 1969.

During this period the United States gold stock increased by about $10 million, to $11,164 million.

Largest purchases were $16 million from Ireland and $11 million from the Philippines, while the largest sales were $10 million to Argentina. Also, a net of about $8 million was received as the result of transactions with the International Monetary Fund. The latter reflects IMF gold transactions related to a large drawing on the IMF by France. In order to acquire currencies needed for this drawing, the IMF sold gold to several member nations including nearly $17 million to the United States. Part of the gold sold by the IMF, $9 million, was withdrawn from the gold deposit with the United States Treasury. As of September 30, the IMF gold deposit with the Treasury amounted to $219 million.

Detailed figures are shown in the attached table.

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UNITED STATES NET MONETARY GOLD TRANSACTIONS WITH FOREIGN COUNTRIES AND INTERNATIONAL INSTITUTIONS
January 1-September 30, 1969
(In millions of dollars at $35 per fine troy ounce)

Area and Country	First Quarter	Second Quarter	Third Quarter	Total
Western Europe				
Denmark	-	+25.0	-	+25.0
France	+50.0	+275.0	-	+325.0
Greece	-	-0.5	-	-0.5
Iceland	*	*	*	-0.1
Ireland	-	-	+16.0	+16.0
Italy	-76.0	-	-	-76.0
Switzerland	-25.0	-	-	-25.0
Turkey	-	-7.0	-6.1	-13.1
Yugoslavia	-1.0	-0.9	-0.9	-2.8
Total	-52.0	+291.6	+9.0	+248.6
Latin America				
Argentina	-	-	-10.0	-10.0
Bolivia	-0.1	*	*	-0.1
Chile	-0.6	-1.4	-1.8	-3.8
Costa Rica	-0.1	-0.1	-0.1	-0.3
Dominican Republic	-0.1	-0.1	-0.1	-0.4
Ecuador	+4.0	-	-	+4.0
El Slavador	-0.1	-0.1	-0.1	-0.3
Guatemala	-0.1	-0.1	-0.1	-0.3
Haiti	-0.1	-0.1	*	-0.1
Honduras	*	*	-	*
Nicaragua	-0.1	-0.1	-0.1	-0.2
Panama	-4.2	*	*	-4.3
Peru	-5.1	-3.3	-3.1	-11.5
Surinam	-	+5.0	-	+5.0
Total	-6.6	-0.2	-15.4	-22.2
Asia				
Afghanistan	-0.1	-0.1	-0.1	-0.4
Burma	*	*	*	-0.1
Ceylon	-0.2	*	-	-0.2
Cyprus	-	-	-0.4	-0.4
Indonesia	-0.4	-0.4	-0.4	-1.3
Nepal	-	-	*	*
Pakistan	-0.2	-0.2	-0.4	-0.8
Philippines	+6.8	+17.3	+11.2	+35.3
Singapore	-	+11.3	-	+11.3
Southern Yemen	-1.2	-	-	-1.2
Syria	-0.1	-0.1	*	-0.2
Total	+4.6	+27.8	+9.8	+42.1
New Zealand	-1.1	-	-	-1.1
Africa				
Burundi	*	*	*	-0.1
Central African Republic	-	-0.1	-	-0.1
Chad	-	-0.1	-	-0.1
Congo (Brazzaville)	-	-0.1	-	-0.1
Dahomey	-	-0.1	-	-0.1
Gabon	-	-0.1	-	-0.1
Guinea	-	-	*	*
Liberia	-0.1	-0.1	-0.1	-0.4
Mauritius	-	*	*	*
Morocco	-0.1	-0.2	-0.2	-0.5
Niger	-	-	-0.1	-0.1
Rwanda	*	*	*	-0.1
Somalia	*	-	-	*
Sudan	-0.3	-0.3	-0.4	-1.1
Tunisia	-0.2	-0.2	-0.2	-0.6
Upper Volta	-	-0.1	-	-0.1
Total	-0.8	-1.7	-1.0	-3.6
IMF	-	-0.5	+7.9	+7.4
TOTAL	-55.9	+316.9	+10.2	+271.2
Domestic Transactions	+0.8	-	-	+0.8
Total Transactions	-55.1	+316.9	+10.2	+272.0

*Under $50,000.
Figures may not add to totals because of rounding.

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TREASURY DEPARTMENT
Washington, D. C.

FOR IMMEDIATE RELEASE

REMARKS OF THE HONORABLE PAUL A. VOLCKER
UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS
AT THE FIRST ANNUAL EUROPEAN INSTITUTIONAL INVESTOR CONFERENCE
THE SAVOY HOTEL, LONDON, ENGLAND
ON WEDNESDAY, DECEMBER 3, 1969

Capital Transactions, Balance of Payments Equilibrium, and the Monetary System

During the early part of this year, when this conference was organized, no official of the U.S. Treasury could in good conscience have turned down an invitation to appear. After all, investors abroad -- and mostly in Europe -- had in the course of 1968 invested some $2 billion in American equities. That was an important factor balancing our external payments last year, even in the face of sharp deterioration in our trade accounts. Moreover, in the first quarter of this year, foreign money poured into our stock market at the extraordinary rate of $3 billion a year.

By summer, all that had changed. The net flow had dwindled toward zero. I began to think the conference was unduly delayed -- that somehow you were losing your enthusiasm.

I am comforted by the thought that at least a part of the decline over the first half of the year in foreign purchases is said to reflect the competitive attractions of the Euro-dollar market during a period of stock market decline. But I must also admit that -- from my parochial viewpoint -- Euro-dollars costing our balance of payments 10 percent or more are hardly an equal trade-off for more permanent money looking to longer term rewards!

You have been listening to others better equipped than I to appraise those potential rewards. I will not trespass on their ground, apart from making one general point. We look forward to continuing flows of foreign risk capital into the United States in the years ahead. We believe that expectation is warranted by the long-run potential of the American economy: by the breadth, diversity, and liquidity of our financial markets; and (not least) by the fact that many of our leading corporations help provide the cutting edge for technology and growth internationally.

That prospect must be placed in the larger perspective of what seems to me an emerging North Atlantic market for capital. This audience is living testimony that such a market already exists. You, as I, are directly concerned with whether this market will continue to prosper and grow. I want to examine with you today some of the basic conditions that, in my opinion, must be met if this bright promise is to materialize.

I recognize this is an area where our ability to look ahead is notoriously poor. Theory and doctrine -- and even the statistics -- are unsatisfactory. I may leave you with more questions than answers. Nevertheless, I will plunge ahead in the conviction that much more thinking needs to be done on the role of relatively free international markets for capital in achieving our basic economic objectives.

I have always been struck by the fact that the benefits of international capital markets have received much less attention than international trade. Consider the broad intellectual consensus that underlies the trading policies of most of our nations. That consensus is embodied in such institutions as GATT. It has inspired repeated rounds of tariff cuts, and -- hopefully for the future -- a broad attack on non-tariff barriers.

Obviously, there are in practice many violations of our liberal trading ideals. But contrast the intellectual consensus in that field with the spectrum of thinking and policies with respect to international investment. Controls and inhibitions on investment are frequently considered not a deviation from a norm but as more or less permanent -- and not especially troublesome -- instruments of national policy. The contrast in thinking appears starkly in the Articles of Agreement of the International Monetary Fund, where certain provisions clearly envisaged restrictions on capital account as matter of course.

Fortunately, that sharp distinction has not been strongly pressed in actual Fund practices. I believe there is more recognition today of the practical difficulties of enforcing tight restrictions on capital without a panoply of exchange controls that affect current as well as capital transactions. Nevertheless, many restrictions on capital movements exist, in the United States as elsewhere. If we are to make better progress toward dispensing with those controls, we need to recognize why they are imposed and what conditions must be met if they are to be abandoned.

The benefits of foreign investment to provider and recipient alike have frequently been demonstrated, perhaps nowhere more than in the rapid development of the United States itself.

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The modern multinational corporation -- shifting large amounts of capital from one nation to another -- can be a highly effective vehicle for equalizing returns on capital in every part of the world, for diffusing rapidly new technology and effective managerial techniques, and for sharing the resulting benefits of increased productivity among investors and citizens of the host country alike. International markets for shares of equity capital are a natural corollary of the immense growth of the international corporation. At least in concept, flows of bonds, bank loans, and other credit instruments should help assure a maximum flow of resources to the points of highest real return and thus help speed the process of real growth.

Yet, to governments, this economic case has not always been considered of overriding importance. Lord Cromer, in talking to an American audience a few years ago, brought a true British sense of historical continuity to the problem. He traced suspicion of foreign investment back at least to the medieval kings of England. Their concern over a seeming loss of sovereign power is not unfamiliar to modern ears. From the viewpoint of a single government, foreign investment, responding to the logic of the international market place, may seem a threat to autonomy in its international economic or social management -- a threat not worth the gains in growth and productivity that it may bring. Moreover, differences in national structures of taxation, tariff walls, varied mixes of fiscal and monetary policies, and sheer institutional inertia can produce discrepancies between the most productive pattern of investment and actual investment flows.

These basic issues are never far from the surface where international investment is concerned. Nevertheless, among developed countries, I suspect most restraints on international investment grow not out of concerns with sovereignty or inefficiency, but as a by-product of balance of payments and monetary problems.

The present controls in the U.S. are a prime case in point. Shortly after taking office, President Nixon made plain the commitment of his Administration to move toward freedom for investment. He acted to liberalize the controls already in place. But our progress in that direction has been sharply limited by our balance of payments position. We must bring other elements in our payments into greater consistency with the volume and direction of investment flows that are likely to emerge as controls are abandoned.

Anyone viewing the pattern of international investment in recent years must be struck by the massive shifts that have developed. In the first half of the 1960's, the United States seemed to stand almost alone as a major net exporter of private capital; individuals and businesses invested an average of $4-1/2 billion a year abroad, while attracting less than $1/2 billion a year of private foreign capital. Direct investment outflows increased rapidly -- reaching $3.5 billion by 1965. They were also increasingly concentrated in manufacturing rather than resource development and in Europe rather than in Canada or other primary producing countries. Other U.S. private investment abroad -- mainly in the form of debt instruments -- mounted rapidly, reaching annual totals of $2 billion or more. This flow too was heavily concentrated in the developed countries of the North Atlantic area -- plus Japan.

This outpouring of American investment -- on top of substantial aid and military expenditures abroad -- more than matched the real resources we were able to transfer to other countries in the form of a current account surplus. Moreover, it appeared to many thoughtful Americans at that time that a substantial portion of this outflow did not reflect real or lasting differences in the productivity of capital. Direct investment was stimulated by a desire to get within the Common Market tariff of the EEC. Portfolio investment reflected, in part, the absence of broad and strong financial markets in Europe. The thesis was advanced that the United States, at least in part, simply acted as a kind of financial intermediary, bridging deficiencies in foreign markets and helping to close the gap between the preferences of foreign citizens to save in liquid form but to borrow long term.

In any event, the impact on our balance of payments seemed too great to the American authorities, and by the middle of the decade, they felt it necessary to curb virtually all types of capital outflows. The Interest Equalization Tax and controls on both direct investment by corporations and portfolio investments by banks and other financial institutions remain today. Partly for that reason -- and also reflecting the tightness of money and higher interest rates -- the gross outflow of private capital (excluding funds initially borrowed abroad by U.S. companies to finance their direct investment) was reduced in 1968 to little more than $3 billion, less than half the 1964 peak.

There have been even more striking changes on the European side of the equation. With American sources of funds restricted, the Euro-bond and Euro-dollar markets grew under forced draft.

Seemingly overnight, Europe developed through these vehicles sources of long-term money that made it financially self-sufficient, even for U.S. firms requiring finance for direct investment in Europe. By 1968, some $4-3/4 billion of foreign issues were placed in European markets -- almost ten times the volume five years earlier. Over $2 billion of those bonds were sold by American companies.

Indeed, over the past two years, Europe has not only taken care of its own capital needs but turned into a large capital exporter to other areas.

This development has reflected a variety of forces. Some portion of the outflows reflected the success of American mutual funds in penetrating the European market or the rediscovery of the U.S. stock markets by institutional investors seeking to diversify. In Germany, Government policy has encouraged large outlows of portfolio capital.

In other cases, capital outflows were largely inadvertent -- a reflection of unsettled domestic conditions or currency concerns. But, whatever the cause, the main countries of Europe appear to have exported almost $6 billion of capital in 1968, excluding banking outflows.

The United States was a principal beneficiary. As a result, U.S. private capital outflow was exceeded by foreign private capital inflows for the first time in many decades.

On the surface these capital flows helped achieve a closer equilibrium in both Europe's and America's balances of payments. But this "statistical" balance surely did not reflect a sustainable economic equilibrium. From the United States side, reinforced capital controls played a large part. In Europe, the capital outflows were highly concentrated and reflected diverse circumstances not likely to be repeated. There was a decided lack of balance in the accounts of individual European countries.

Already, in 1969, these patterns are changing. The United States -- despite the highest interest rates in a century and continued administrative restraints -- has reverted to its traditional position of net long-term capital exporter. Without a compensating change in current account performance, an adverse impact on our reserve position has been avoided only by an unprecedented inflow of short-term capital. Plainly, the magnitude of these short-term

inflows cannot be sustained. Europe as a whole has remained a heavy net exporter of capital, but mainly because of the exceptional German effort to encourage foreign use of its markets and some special circumstances in Italy.

Obviously, it would be wrong to generalize too much from this recent experience. But amid the turbulence, I believe there are some trends of more lasting significance.

First, it is worth noting that, while the form and direction of the capital flows have shifted under the pressure of controls and events, the volume of international investment among the highly developed countries of the Western world has continued to expand rapidly. The observation has often been made that economic development seems to go hand in hand with more than proportionate increases in trade. The same phenomena appears at work in capital markets.

Second, the United States has a strong propensity toward exporting long-term capital. This tendency seems to me so strong that, in the absence of controls, it is likely to persist in fairly high volume even in periods when domestic capital markets and the domestic economy are under strong expansionary pressure. The driving force behind American direct investment overseas is likely to remain particularly strong for some years, since this investment is a powerful force carrying new technology and products to less wealthy countries. We hope and expect that European firms will also invest more in the United States, but the net balance should remain substantially with the United States.

Third, and working in the opposite direction, there is evidence that the structural imbalance between Europe and the United States in capital market facilities has been, at the least, appreciably narrowed, mainly by the development of the Euro-bond and Euro-dollar markets.

Moreover, the chronic disparities in interest rates that characterized the early 1960's may be closed from another direction as well. Present interest rate levels in the United States are abnormal -- I hope they will soon decline. But assuming the American economy remains generally prosperous -- and given our evident domestic demands for capital -- there is room for doubt that we will see for many years the relatively low long-term interest rates that prevailed in the United States as late as the early part of this decade.

This suggests that, even without controls, more of United States direct investment might be financed locally. I have already said that I see strong reasons for European equity investment in the U.S. to remain relatively high. Consequently, a much better balance in flows of portfolio capital and bank credit between Europe and the United States can be foreseen.

Fourth, as a corollary, industrial countries outside of Europe and the United States seeking foreign capital should also continue to find a more evenly balanced choice between the European and American markets than in the first half of the present decade. These countries (and international financial institutions) should certainly remain heavy net demanders of funds in both markets, although the largest of these countries may be able to generate more of the needed savings domestically.

Viewed broadly, this outlook would seem to me to suggest the possibility of achieving a more balanced pattern of investment than has characterized the past. It implies less dependence on U.S. markets and U.S. foreign investment than during the early 1960's. But it does not assume that flows from Europe to the United States -- stimulated by American tight money and controls in recent years -- will remain at recent levels, and I believe this emerging pattern of investment flows could become a part of a sustainable equilibrium in balance of payments, without the present reliance on controls.

But for this happier state of affairs to materialize, I would emphasize at least two prerequisites.

First, I suspect it is an almost inevitable consequence of freedom for capital flows that substantial volatility will develop from quarter to quarter or year to year. In the past year, for instance, we have seen the sensitivity of equity investment to short-term swings in sentiment and the response of short-term capital to cyclical swings in interest rates. We must be prepared to cope with these swings. This points up the need for elasticity in our monetary arrangements so that short-term deficits or surpluses in balance of payments results can be absorbed and diffused without forcing resort to controls -- or without setting off reinforcing speculative movements that exaggerate the difficulties.

This is, of course, the traditional function of national reserves and official credits -- areas in which very considerable achievements are being made. In addition, we are learning that the immense reservoir of internationally mobile short-term funds -- a growth epitomized by the Euro-dollar market -- can often help bridge the gaps that develop in the other elements of the balance of payments.

There is, of course, another side to the coin. Short-term money can move perversely, contributing to speculative crises or tending to reinforce other forces working toward deficit or surplus. Even when they do not move perversely, reliance on short-term capital could reduce incentives and pressures for more lasting adjustments. One can also visualize instances in which domestic monetary policy objectives and balance of payments requirements are so far opposed that it is not possible to influence constructively the flows of short-term money.

This is why it seems to me absolutely fundamental, if we are to achieve and sustain a free flow of international financial capital, that there must be clear progress toward achieving a better alignment of current accounts. Real resources to match the flow of capital can only be provided by current account surpluses, yet the United States, as potentially the largest net capital exporter, has seen its current account balance decline from a surplus of almost $6 billion in 1964 to a deficit of several hundred million dollars in 1968. Meanwhile, a few other industrial countries have built up current account surpluses well beyond their capacity to sustain capital outflows.

The implications for the U.S. are evident: we can satisfy our propensity to export capital only if we help provide the counterpart through rebuilding our current surplus.

The steady growth in earnings on foreign investment gives us a head start on that job. A decline in foreign military spending after Vietnam, and a more effective sharing or offsetting of our remaining military burdens could also help. But, in my judgment, a viable pattern will also require a sizable trade surplus. We are under no illusions that this necessary surplus can be rebuilt quickly -- although we do expect some real progress next year. Indeed, given the weight of the U.S. in the world economy and the reluctance of other countries to see a sudden deterioration in their own trade, it seems to me doubtful that there is any feasible technique by which the United States could quickly restore a trade surplus as large, say, as the average of almost $5.5 billion a year from 1960 to 1965. To attempt to do so by depressing business at home or by restrictive trade practices would be destructive of the very goals we seek.

What we must do is restore and improve, in an orderly way, our competitive position and remove the inflationary pressures from the domestic economy, Our domestic and international goals coincide in this respect. Achieving that end has proved even more difficult than we anticipated. But you can be sure we plan to keep at it until the job is done. At the same time, we have been working, too, to make sure that our export effort is not unnecessarily frustrated by inadequate export credit facilities or by tax distortions.

It does not seem to me inconsistent that, as we strive for an adequate trade and current account surplus, other developed countries in Europe and Japan also maintain surpluses. It is a matter of keeping these surpluses within range of their long-run capacity or desire to invest abroad.

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I will resist the temptation to deal with these problems of current account adjustment today, including all those interesting proposals now under study in the IMF for introducing an element of greater flexibility in our exchange rate system. But I would urge that those concerned with capital markets recognize that international investment can thrive only against a background of complementary flows of trade. In seeking freedom for the former, we must not neglect the latter.

I believe we can take some satisfaction in these closing weeks of 1969. Markets are in a vastly better position than a year ago. The main challenge is clear enough -- to deal with the inflationary pressures in the United States. It has proved a tough, durable opponent. But I believe we are making progress. I can assure you that we are determined to achieve results, and are prepared to take reasonable risks to get them.

Success in that endeavor will, in my judgment, be the best possible augury we could have that we will maintain a favorable climate for the further growth of the international capital market.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

December 4, 1969

FOR IMMEDIATE RELEASE

UNITED STATES AND AUSTRALIA TO DISCUSS REVISION OF INCOME TAX TREATY

Representatives of the United States and Australia will meet early in 1970 to discuss revision of the income tax convention between the two countries, the Treasury announced today.

The existing tax treaty with Australia has been in force since 1953. The negotiations are expected to deal with a number of specific problems which have evolved out of the tax law changes which have taken place since 1953, and out of changes in economic relations between Australia and the United States. Among the items likely to be discussed will be the tax rules to be applied by one country to corporations and residents of the other who derive royalties, interest, income from activities on the continental shelf, and income from a permanent establishment in the other country.

It is also expected that the "Draft Double Taxation Convention," published in 1963 by the Fiscal Committee of the Organization for Economic Cooperation and Development (OECD), will be considered in the course of the negotiations, along with recent United States treaties with other industrial countries, such as the treaty with France which went into force in August 1968.

Persons having comments or suggestions to make concerning the income tax treaty between the United States and Australia should submit their views by January 5, 1970, to Assistant Secretary of the Treasury Edwin S. Cohen, United States Treasury Department, Washington, D.C. 20220.

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TREASURY DEPARTMENT
Washington

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FOR RELEASE ON DELIVERY

December 5, 1969

EXCERPTS OF ADDRESS OF THE HONORABLE
PAUL W. EGGERS
GENERAL COUNSEL OF THE TREASURY
AT THE DEDICATION OF THE CITIZENS TRUST COMPANY
ATLANTA, GEORGIA, DECEMBER 5, 1969
12 NOON (EST)

I come not as a banker, or even as an economist, but as a public servant.

My own field has been the law, and at the United States Treasury I am chiefly concerned with legal issues as General Counsel.

But as a public servant I know the importance of community action and of meaningful community services, and that's why I'm so pleased and proud to take part in the dedication of this bright new facility on the Atlanta skyline.

The Citizens Trust Company is celebrating its fiftieth year as a banking institution. Let me say that no bank could be prouder of the services it has rendered down through the past ten decades -- decades which have included, as we all know, the best of times and the worst of times.

One reason Citizens Trust can be particularly proud is that its very reason for existing has been service to

its community. In recent years many men in public life have talked anout the importance of community involvement and achievement in business and industry. But Citizens Trust has been doing something about it for half a century now, and this bright new skyscraper is testimony to its brilliant success.

As a lawyer I have seen, in private practice, men and women from all walks of life and in all sorts of trouble. Economic trouble is perhaps the most common kind of trouble. Assets and liabilities are at the heart of most disputes among citizens, just as they are a common cause of a host of other difficulties.

But I have also seen what economic power can mean to an individual, a corporation, a group of individuals. I have seen the progress that has been achieved and the good that has been accomplished by thousands of people who wisely, and with good intentions, managed their assets and operated within the framework of our free economic system.

This new building is symbolic of many things. First, it is symbolic of what imaginative and intelligent men can do with their resources in a dynamic and free society.

Second, it is symbolic of the untold good that can come of that imaginative leadership. Good so widespread that we can never know its full effects on hundreds of thousands of families, institutions, and communities.

Third, it is symbolic of the great progress made here in the South.

I am a Texan as you know, and I'm very proud of my state. Your sparkling city, however, has come to symbolize for millions of Americans the tremendous vitality and economic growth of the New South.

And, most importantly, that vitality has come to be synonymous with economic equality of opportunity.

In sum, your bank stands today as a shining symbol of the best Americans are capable of achieving, for one another and for their neighbors. And your bank is symbolic of the economic justice which we are striving to make a reality for all Americans.

At the United States Treasury, we are vitally concerned with economic justice and equality of opportunity both at home and abroad.

As you know, the gap between the rich and the poor is not merely a personal gap, here at home, serious as that gap is. It is a world-wide problem involving all the nations of the globe, free and enslaved. Thus, each year the differences between the rich, mighty nations and the poor, struggling nations, grow more serious.

The task at the United States Treasury is to assist in international arrangements and cooperation which will help ease these differences. The President is moving on many fronts to assist other nations to find _their_ best footing in a free market world, because he knows that the awful price of failure is to have untold millions slip behind a political system in which economic justice is a meaningless slogan devised to hide such realities as political oppression, religious persecution, and economic slavery.

We have not always been successful even here at home, and so we cannot expect overnight success throughout the world. Our own resources of treasure, talent and time are extensive, but limited.

But occasions such as this tend to renew the spirit of those who share our concern for nation-wide and world-wide economic justice.

And I personally am confident that with the continued involvement of distinguished men such as Mr. Milton, the Citizens Trust Copmany will continue for yet another fifty years -- and beyond -- to stand as a symbol for the best that is in us, and as a real, tangible means for achieving just and rapid economic progress here in Atlanta.

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DEPARTMENT OF THE TREASURY
Washington, D. C.

FOR RELEASE UPON DELIVERY

REMARKS OF THE HONORABLE MURRAY L. WEIDENBAUM
ASSISTANT SECRETARY OF THE TREASURY FOR ECONOMIC POLICY
BEFORE THE BUSINESS WEEK CONFERENCE ON MONEY AND THE CORPORATION
NEW YORK CITY
MONDAY, DECEMBER 8, 1969, 12:00 NOON, EST

1970: A YEAR OF TRANSITION

It seems appropriate at this time to review the prospects for the American economy and governmental policy in the coming year. Perhaps some perspective would furnish us a useful prelude to our task.

With the decade of the 1970's just around the corner, the economic situation is rather different from that of a decade ago. To those who can recall what now seems almost ancient American history, then there was concern over slow growth and the "gap" between actual and potential output. Now there is a certain satisfaction in knowing -- or hoping -- that slow growth may have finally created a gap, after too long a period of excess demand and mounting inflationary pressure.

We are, so to speak, approaching the problem of achieving steady growth from a different direction. As we are finding, getting onto a noninflationary path from above is not quite as easy a task as coming up from below. So far as I can recall, there is no exact parallel in our previous economic experience.

There have been quite a few crash landings after soaring too high but no gradual glides back onto the original flight path.

Now, almost a year after the changing of the guard in Washington, what is the verdict on gradualism -- or imperceptibilism as one of my colleagues has termed it? I guess we would have to say that the jury is still out. It seems clear to me that the right course was chosen, in the sense of neither aiming for recession nor accepting an escalating inflation. The growth of output has been slowed down just about as expected. Visible sign of relief from rising costs and prices is yet to come. But it was always known that this would be late in the game. Although some of us seem to have forgotten, wholesale prices occupy a prominent place in the array of coincident indicators, those economic series that do not show a significant change in direction until the economy as a whole has altered its path.

While I am on that subject, let me point out that business plant and equipment outlays are a lagging indicator of future economic developments. Although I will let someone else draw the moral of the tale, the historical record certainly shows that business in general has an uncanny knack of reaching a peak in new capital investments sometime after the underlying market has softened. You may want to recall that the next time you comment on our lack of perfection in making forecasts of the government's budget.

Here are a few other statistical series that are laggards in the economic process: inventories, unit labor costs, interest rates on residential mortgages, interest rates on short-term business loans, the volume of consumer installment debt, and the amount of commercial and industrial loans outstanding. We need to keep these basic relationships in mind as we examine current statistical reports on the progress of the Administration's anti-inflation program.

The Economic Outlook

What is the outlook for 1970? As I see it, 1970 will be a year of transition. Basically, 1970 will be the year of transition to a less inflationary environment. I expect the inflation rate to show a clearly downward pattern during the course of the year -- six percent rates of inflation should be a thing of the past.

In technical economics, this means that each quarter's increase in the GNP price deflator will generally be less than that registered in the preceding quarter. I use the term "generally" advisedly; the odd way we measure the government sector in the GNP accounts may make for an upward "blip" in one quarter of the year.

1970 will also be a year of transition to a more peacetime economy. A significant decline has been occurring in 1969 in the key "leading" indicators of military demand -- the statistical series which foreshadow actual Defense Department expenditures in 1970. Total Department of Defense obligations --

which cover commitments made for government payroll as well as orders for work to be performed in the private sector -- are now running at an annual rate which is $5.4 billion lower than in 1968. Military prime contract awards to American business firms are running $6.8 billion lower than in 1968. Let me emphasize: there has been an absolute decline, not just a slower rate of increase.

Of perhaps even greater interest, when we convert these numbers on military demand to real terms -- by eliminating the price effects in order to estimate the change in the physical volume of resources being devoted to military purposes -- we find that the defense sector now is making no greater claims on the output of the American economy than it did before the Vietnam War. This is the best economic evidence that I can find of the major extent to which we as a Nation are shifting to a more peacetime economy.

1970 will also be a year of transition to a lower rate of Federal income taxation. It is hardly surprising that the winding down of the United States commitment in Vietnam is accompanied by the phase-out of the income tax surcharge.

That does not mean that I am about to clap my hands and stamp my feet in glee at the recent action on the tax bill in the Congress. Tax reduction is obviously a popular activity. But it needs to be considered in connection with the long-run

expenditure commitments that the Government is making at the same time.

I am reminded of a dialogue which was popular during the heyday of the New Economics:

"How are you going to pay for all of those new expenditure programs?"

"Why with the tax cuts we are making."

I believe that we will be hearing more about tax and fiscal actions, even if the tax bill is enacted into law in its present form. Certainly the less fiscal restraint that we can achieve, the longer I would expect monetary policy to remain tight.

On this note, I would like to offer a few observations on fiscal policy. As in most walks of life, there are fads and fashions in economics. Just a few years ago, it seemed that fiscal policy was all that mattered; monetary considerations were largely ignored.

At present the pendulum of economic thinking is in danger of swinging to the opposite extreme. Money does matter, but I include government money when I make that statement. We cannot blithely exclude from our calculations a public sector of $200 billion annual volume. Even in an economy rapidly approaching the trillion dollar mark, financing a budget deficit -- in sharp contrast to achieving a surplus -- would

put considerable strain on already very tight money markets. Neither do I think that the effects on already high interest rates would be trivial.

We have too few effective policy tools to be in a position to abandon any. In using both fiscal and monetary policies there is much to be said for moving toward budget surpluses and lower interest rates. This should be conducive to a higher rate of capital formation and more rapid economic growth.

Tax Policy

To be an advocate of fiscal policy does not require that we necessarily agree with every fiscal action being taken or contemplated. Perhaps I will be forgiven if I take this opportunity to offer a few personal remarks on the course of the current tax bill.

I happen not to be one of those who contend that the Congress is irresponsible. I think that they are quite responsible. If they cut taxes enough and increase expenditures enough, they can even be responsible for generating another round of inflationary pressures.

I may not agree with that course of action but, as an economic adviser, I respect the power of governmental decision-makers. If the Congress thinks that the country needs weaker fiscal policy, then it can probably legislate that. It will also probably mean that -- in order to continue to dampen

down inflationary pressures -- the Nation will experience tighter monetary conditions than we would have otherwise.

A little perspective is useful here, too. As I look backward at the record of decision-making on fiscal policy in recent decades, I see a great many and variety of actions. In a sense, it is like examining an economy in the course of a business cycle. We see a myriad of currents, many of which are going counter to the main stream, with different twists and turns, and with a basic pattern emerging only in the light of long-term historical perspective.

There are striking similarities when we examine the current tax bill. Some provisions raise revenues, while others reduce the Government's income. Some sections close or reduce loop-holes, and others add or widen special benefits. What is the main thrust? Before we satisfy ourselves with any easy or obvious answers, I would like to point out that it has been customary for the Congress to consider and act on a number of tax bills over a period of a year or two, and not all of them seem to have been motivated by the same economic or social philosophy.

Hence, I would not be at all surprised if -- even assuming that a tax bill somewhere along the lines of recent Senate action is ultimately passed into law -- next year the Congress will be considering additional tax legislation, perhaps of a somewhat different nature.

I offer these observations as a long-term student of public finance who is looking simultaneously at both sides of the budget -- at the expenditure consequences of the program and appropriation decisions that the Congress appears to be making and the revenues that are likely to be forthcoming. On that basis, even after making allowance for the expected reductions in Vietnam expenditures, it is hard to avoid the conclusion that some additional fiscal legislation will be necessary.

Perhaps the traditional Presidential messages in January -- on the state of the union, the budget, and the economy -- will provide the necessary information for a more informed public discussion of the role and operations of a public sector in a modern economy.

Conclusion

As you may have surmised, I am hardly forecasting that 1970 will be the time when we enter the economic Valhalla. I do believe that it will be and certainly can be that very necessary period when we finally overcome the Vietnam-induced inflation that has been plaguing our economy for over four years.

If we maintain the necessary resolve to continue the current stance of economic restraint, then the policies of the Administration will both contain the current inflation and lay the necessary foundations for a period of rapid real growth in employment, production, and living standards.

I would like to conclude with a quotation from a well-known Twentiety-Century economist.

> "No one can be certain of anything in this age of flux and change. Decaying standards of life at a time when our command over the production of material satisfactions is the greatest ever, and a diminishing scope for individual decision and choice at a time when more than before we should be able to afford these satisfactions, are sufficient to indicate an underlying contradiction in every department of our economy. No plans will work for certain in such an epoch. But if they palpably fail, then, of course, we and everyone else will try something different."
>
> "Preserving all due caution in our own activities, the job for us is to get through the next five years in conditions which are favourable and not unfavourable to the restoration of our full productive efficiency and strength of purpose, of our prestige with others and of our confidence in ourselves. We shall run more risk of jeopardising the future if we are influenced by indefinite fears based on trying to look ahead further than any one can see".
>
> "We shall do well not to fear the future too much."

That passage is taken from the concluding section of the last article, published over 23 years ago, by John Maynard Keynes.

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UNITED STATES SAVINGS BONDS ISSUED AND REDEEMED THROUGH November 30, 1969 /53

(Dollar amounts in millions – rounded and will not necessarily add to totals)

DESCRIPTION	AMOUNT ISSUED 1/	AMOUNT REDEEMED 1/	AMOUNT OUTSTANDING 2/	% OUTSTANDING OF AMOUNT ISSUED
[MA]TURED				
Series A-1935 thru D-1941	5,003	4,997	6	.12
Series F and G-1941 thru 1952	29,521	29,485	36	.12
Series J and K-1952 thru 1957	3,754	3,731	23	.61
[UN]MATURED				
Series E 3/ :				
1941	1,885	1,672	213	11.30
1942	8,323	7,391	932	11.20
1943	13,394	11,924	1,470	10.98
1944	15,621	13,826	1,795	11.49
1945	12,283	10,699	1,584	12.90
1946	5,574	4,679	895	16.06
1947	5,291	4,291	1,001	18.92
1948	5,474	4,351	1,123	20.52
1949	5,408	4,219	1,190	22.00
1950	4,729	3,633	1,096	23.18
1951	4,090	3,146	944	23.08
1952	4,285	3,271	1,014	23.66
1953	4,897	3,651	1,245	25.42
1954	4,991	3,653	1,338	26.81
1955	5,200	3,751	1,449	27.87
1956	5,023	3,580	1,443	28.73
1957	4,732	3,309	1,423	30.07
1958	4,613	3,103	1,510	32.73
1959	4,322	2,841	1,481	34.27
1960	4,334	2,732	1,602	36.96
1961	4,393	2,616	1,776	40.43
1962	4,244	2,423	1,820	42.88
1963	4,721	2,531	2,190	46.39
1964	4,602	2,477	2,124	46.15
1965	4,500	2,404	2,096	46.58
1966	4,845	2,406	2,439	50.34
1967	4,795	2,270	2,525	52.66
1968	4,545	1,905	2,640	58.09
1969	2,716	656	2,061	75.88
Unclassified	688	915	-228	-
Total Series E	164,519	120,326	44,193	26.86
Series H (1952 thru May, 1959) 3/	5,485	3,496	1,989	36.26
H (June, 1959 thru 1969)	7,203	1,872	5,330	74.00
Total Series H	12,687	5,368	7,319	57.69
Total Series E and H	177,206	125,694	51,512	29.07
All Series — Total matured	38,277	38,212	65	.17
All Series — Total unmatured	177,206	125,694	51,512	29.07
All Series — Grand Total	215,484	163,906	51,578	23.94

[1/ Inc]ludes accrued discount.
[2/ Cur]rent redemption value.
[3/ At o]ption of owner bonds may be held and will earn interest for additional periods after original maturity dates.

Form PD 3812 (Rev. Apr. 1969) – TREASURY DEPARTMENT – Bureau of the Public Debt

TREASURY DEPARTMENT

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WASHINGTON, D.C.

FOR RELEASE 6:30 P.M.,
Monday, December 8, 1969.

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 September 11, 1969, and the other series to be dated December 11, 1969, which were offered on December 3, 1969, were opened at the Federal Reserve Banks today. Tenders were invited for $1,800,000,000, or thereabouts, of 91-day bills and for $1,200,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing March 12, 1970		182-day Treasury bills maturing June 11, 1970	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	98.068 a/	7.643%	96.078 b/	7.758%
Low	98.041	7.750%	96.032	7.849%
Average	98.053	7.702% 1/	96.055	7.803% 1/

a/ Excepting 2 tenders totaling $324,000; b/Excepting 3 tenders totaling $7,000
66% of the amount of 91-day bills bid for at the low price was accepted
9% 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	$ 39,597,000	$ 29,597,000	$ 8,834,000	$ 8,834,000
New York	1,741,402,000	1,234,802,000	1,548,418,000	803,368,000
Philadelphia	42,699,000	27,699,000	27,154,000	16,025,000
Cleveland	68,118,000	53,118,000	46,000,000	46,000,000
Richmond	17,488,000	17,488,000	23,400,000	17,580,000
Atlanta	48,598,000	45,598,000	56,643,000	50,642,000
Chicago	149,077,000	149,043,000	144,877,000	101,877,000
St. Louis	52,047,000	49,047,000	37,370,000	29,815,000
Minneapolis	15,019,000	15,019,000	10,224,000	10,224,000
Kansas City	35,179,000	35,179,000	40,882,000	38,192,000
Dallas	30,305,000	23,305,000	25,612,000	19,312,000
San Francisco	140,783,000	120,443,000	127,887,000	58,424,000
TOTALS	$2,380,312,000	$1,800,338,000 c/	$2,087,301,000	$1,200,293,000 d/

Includes $407,158,000 noncompetitive tenders accepted at the average price of 98.053
Includes $289,784,000 noncompetitive tenders accepted at the average price of 96.055
These rates are on a bank discount basis. The equivalent coupon issue yields are 7.96% for the 91-day bills, and 8.24% for the 182-day bills.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

December 10, 1969

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 $3,000,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing December 18,1969, in the amount of $2,901,799,000, as follows:

91-day bills (to maturity date) to be issued December 18, 1969, in the amount of $1,800,000,000, or thereabouts, representing an additional amount of bills dated September 18, 1969, and to mature March 19, 1970, originally issued in the amount of $1,200,698,000, the additional and original bills to be freely interchangeable.

182-day bills, for $1,200,000,000, or thereabouts, to be dated December 18, 1969, and to mature June 18, 1970.

The bills of both series will be issued on a discount basis under competitive and noncompetive 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, December 15, 1969. 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

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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 December 18, 1969, in cash or other immediately available funds or in a like face amount of Treasury bills maturing December 18, 1969. 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.

STATEMENT BY THE HONORABLE EUGENE T. ROSSIDES
ASSISTANT SECRETARY OF THE TREASURY
for
ENFORCEMENT AND OPERATIONS
before the
HOUSE BANKING AND CURRENCY COMMITTEE
WEDNESDAY, DECEMBER 10, 1969, at 10:00 A.M.

Mr. Chairman and Members of the Committee.

The Treasury Department appreciates the opportunity to comment on H.R. 15073, which is designed to prevent the use of foreign bank accounts for illegal purposes by U.S. citizens and residents. The bill would accomplish this:

--by requiring U.S. banks to copy checks and certain other instruments and maintain certain records;

--by requiring U.S. financial institutions and persons dealing with them to report certain U.S. currency transactions to the Treasury;

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--by requiring persons importing or exporting substantial amounts of U.S. currency to furnish reports to the Treasury; and

--by requiring citizens, residents, and persons doing business in this country to report certain transactions with foreign financial agencies which do not make their records available to U.S. authorities.

The bill provides that the detailed requirements are to be promulgated by the Secretary of the Treasury.

To summarize our position, the Treasury fully supports the objective of H.R. 15073 to deal with secret foreign accounts which aid tax evasion and other violations of United States laws. We feel, however, that the bill goes too far and that additional work is required to determine the best way to achieve this objective without hampering the free flow of international commerce, without creating undue cost and administrative burdens on both the private sector and government, while preserving the traditional freedoms of American life, and the status of the dollar as the major transactions currency

and reserve currency of the world. We believe that measures can be developed which would not create these problems and which would be effective in helping us fight tax evasion and other criminal activities of United States citizens and residents.

To some extent because of bank secrecy laws, we are unable to offer any precise estimates as to the extent to which U.S. citizens and residents use foreign bank accounts and the magnitude of the tax evasion and other criminal violations shielded by such bank accounts. I can say, however, that the Treasury regards any evasion as serious even if the total amount involved is not large.

Two areas of special concern to the Treasury are the use of foreign bank accounts by those involved in smuggling narcotics into the United States and by organized crime generally. The Treasury has given two programs the highest priority:

1. Prevention of the smuggling of narcotics,

marijuana, and other contraband drugs into the United States; and

2. The fight against organized crime.

If information could be obtained about such accounts, it would be of great help in our efforts to stop smuggling of narcotics into the United States and our general efforts against organized crime. A number of narcotics smuggling financings have been traced to some of these foreign banks. Participants in organized crime frequently evade taxes and the prosecution of such evasion is often the only practical means to attack such crime.

I understand that the Securities and Exchange Commission will testify on the use of foreign bank accounts in connection with securities law violations. I will not discuss that aspect of the problem other than to indicate that the Treasury feels that the protection to the investor provided by disclosure, insider trading, anti-manipulation and other rules, embodied in our securities laws, plays a significant part in making U.S. security markets attractive to investors, including foreign investors.

There is another area of equal concern to the Treasury. That is the evasion of income or estate taxes by otherwise law-abiding citizens and residents. We properly regard such evasion as a serious crime, whether committed by a taxpayer who is a U.S. resident or by a U.S. citizen living abroad. The American tax system is grounded on voluntary compliance and, on the whole, that compliance is and continues to be excellent.

One of the foundations for this compliance is a feeling by taxpayers that other Americans are also paying their fair share of taxes. The citizen or resident paying the taxes which he owes has a right to demand that his neighbor, whether he is a man who stays close to home or who travels widely, also pay the taxes imposed by the Internal Revenue Code.

This Administration has elevated the development of solutions to the foreign bank account problem from an ad hoc case-by-case approach to a foreign policy level. We have actively sought to enlist the help of the Government of Switzerland in dealing with these problems and are in the process of contacting the governments of

some of the other countries with bank secrecy where Americans have accounts. We are exploring with officials of the Government of Switzerland the possibility of a mutual assistance treaty in criminal matters so that information can be exchanged for use in criminal investigations and prosecutions in a routine and expeditious fashion. This has been an interdepartmental effort and includes the active participation of the State, Treasury, and Justice Departments and the Securities and Exchange Commission. Representatives of the Swiss Government visited the United States last April and an Administration team visited Switzerland in June. Further talks have been held and presently both countries are studying a United States draft treaty in preparation for discussions at a higher level. We hope that these discussions will take place in the next few months.

We trust that these discussions will lead to a meaningful treaty, agreeing, among other things, on the types of cases in which the mutually recognized need to enforce criminal laws takes precedence over the traditional Swiss requirement that banks keep

the affairs of their customers confidential. We are confident that the Swiss are also anxious to do something about the use of secret foreign accounts by organized criminals.

The United States must also look to its own laws to determine whether we are doing all that we can to stop tax evasion and other crimes. The Treasury has, therefore, undertaken a full review of our existing legislation and administrative practices to determine what is required to increase our effectiveness against crimes which are facilitated by foreign bank accounts. We have formed a Treasury task force to review our current authority, to confer with the banking and other financial institutions on evasion techniques and possible remedies, and to make administrative and legislative recommendations. A number of possible approaches, some of which are similar to elements of H.R. 15073, are being considered.

Our concern is with American citizens and residents who violate tax and other U.S. laws. We are improving the means to detect and prosecute crimes where all of

the events take place within our borders. But where our citizens and residents use foreign territory and institutions for criminal violations of U.S. law or for hiding the fruits of their crimes, law enforcement requires special techniques.

The Treasury has had a highly useful experience in working with the private sector to cut down tax evasion. This was in the spring and summer of 1967 when we stopped the serious evasion of the interest equalization tax which had developed. At that time, we worked closely with U.S. brokers and banks to develop systems which would close loopholes that had been used to evade payment of this tax. Similarly, the Treasury intends to work closely with U.S. banks and other financial institutions to establish procedures designed to reduce the evasion helped by foreign bank accounts.

Without the cooperation of U.S. financial institutions, we cannot be effective in dealing with the use of foreign bank accounts by Americans who violate our laws.

Without this help, we might find that we have succeeded in devising measures which give us mostly useless information or information which is difficult and time consuming to utilize. While such measures might result in more information on certain routes used by Americans to and from foreign banks, other routes might be left completely unobserved.

I will now outline some of the areas that the Treasury believes need to be explored for usefulness and feasibility in connection with the secret foreign bank account problem and set forth our tentative views on H.R. 15073.

Bank Recordkeeping

The Treasury is considering the extent to which additional records and reports of international transactions are practicable to require of financial institutions and to what extent they would be useful to the Internal Revenue Service and other law enforcement agencies in connection with investigations of tax evasion and other crimes.

H.R. 15073 includes recordkeeping requirements in Title I. The principal recordkeeping provision of the bill requires banks to maintain (i) copies of checks and other instruments drawn on them and presented for payment, and (ii) a record of instruments received by them for deposit or collection with identification of the persons for whose account the instruments are deposited or collected. This is understood to go much beyond current practice and would result in a substantial increase in banking costs and charges.

As an objective, recordkeeping and reporting should provide benefits to law enforcement without undue interference with normal commercial transactions and undue cost and administrative burdens on both banks and their customers and government agencies.

Clearly, mounds of additional paper or microfilm which may be of negligible assistance to law enforcement officers are not an intended by-product of this effort. If recordkeeping and reporting requirements are imposed, they should be limited to those documents which are the most significant in tracing tax evasion and other

criminal violations, thus excluding small transactions and transactions which are not informative, such as, possibly, inter-bank transfers. An important purpose of these limitations would be to assure a volume of information that the Internal Revenue Service and other agencies are in fact able to work with. There is a point when the volume of records and reports becomes counterproductive.

We have not yet reached a conclusion on whether the additional records and reports on foreign transactions which might be required and which could be effectively utilized by the Internal Revenue Service and other agencies would significantly add to our efforts to prevent the violation of our tax and other laws. We are in the process of learning much more about international transactions, existing recordkeeping practices, and the capacity of the Internal Revenue Service to utilize the additional records and reports which might be required.

Financial Institution Currency Reports

Chapter 2 of Title II of the bill requires reports, as set forth in Treasury regulations, of transactions involving the payment, receipt, or transfer of U.S. currency. The reports are to be filed by both domestic financial institutions (including currency exchanges, securities and commodities brokers, as well as banks) and one or more of the other parties to the transaction.

Banks currently are required to file currency reports, but these reports have been of limited usefulness because of uncertainty as to when they are required and the extent of the banks' responsibility to report the identity of the person engaging in currency transactions. We are inclined to the view that such reports should be continued and are seeking ways to increase their usefulness. It does not seem, however, that the requirements should be applicable except to financial institutions.

We are also considering how unnecessary reports might be avoided without an adverse effect on the

utility of the reports so as to avoid unnecessary burdens on retail establishments that deal in cash, employers with cash payrolls, and the financial institutions which would be required to file the reports. Unnecessary reports, particularly when small amounts are involved, would not only impede commercial transactions, the life blood of our complex economy, but also make it more difficult for the Internal Revenue Service and other government agencies to utilize effectively the reports. The existing rules might be modified so that a corporation or individual often involved in large currency transactions for legitimate purposes could obtain an IRS exemption from reporting.

If such reporting requirements are to be effective, individuals involved in currency transactions must be required to provide adequate identification to the reporting institutions.

International Currency Movements

Persons who do not use financial institutions to send funds out of or into this country but who export or import substantial amounts of currency or the equivalent by other means such as mailing or the physical carrying of currency could frustrate attempts to obtain information through financial institutions.

The bill would require a report of the physical movement of currency or coin of the United States in or out of this country of $5,000 or more or if the transferor has transferred more than $10,000 in the calendar year.

The Treasury task force is considering whether an approach along these lines would be useful and whether it is feasible. In evaluating such an approach, we must balance the freedom to travel without cumbersome formalities and legitimate enforcement needs. In addition, a number of specific problems would have to be resolved.

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Reporting of Foreign Bank Accounts

Section 241 of the bill requires reports of transactions with foreign financial institutions that do not make records available to U.S. authorities, which are made by U.S. residents, citizens, or persons doing business here, both acting for themselves or acting on behalf of others. This provision seems to require excessive reporting and raises many serious issues.

Perhaps a more productive approach would be to require that U.S. citizens and residents be required to disclose the existence and identification of accounts they maintain in foreign financial institutions. We are exploring whether such information might be filed with the annual income tax return. Once the Internal Revenue Service knows of an account, it would be in a position to make necessary inquiries.

Presumptions

While under the Internal Revenue Code the taxpayer generally has the burden of proof in connection with his tax liability, we are considering whether it would

also be helpful and appropriate for certain special presumptions to be established so that information can be effectively used in tax cases where the taxpayer hides behind the bank secrecy laws of other countries and refuses to supply the Revenue Service with information that the taxpayer has a right to obtain.

In discussing the use of foreign secret bank accounts with Internal Revenue enforcement personnel, we have been informed that in a substantial number of cases, it has been established that taxpayers have engaged in transactions with foreign banks in countries that recognize bank secrecy under circumstances in which it was reasonable to presume that the taxpayer's unreported income was involved in the transaction. However, the Service has generally concluded that the evidence available to it would not be considered adequate by a court. We are reexamining this from two points of view.

First, whether under current case authorities, courts might be willing to make factual inferences as to transactions with foreign banks along the lines of the

inferences courts now make in passing on determinations of tax made by the Commissioner of Internal Revenue by the use of such methods as the net-worth method and the bank deposit method. Second, whether legislative recommendations to effectuate comparable results should be made either because of the limitations of, or uncertainty as to, existing law.

It might be useful if I indicated, by way of example, a specific type of case in which a presumption might be used. In a number of instances, United States taxpayers have borrowed money from foreign banks and have claimed interest deductions on the basis of the interest paid. The loan might or might not be perfectly legitimate, but the bank secrecy laws prevent the Revenue Service from obtaining the facts necessary to make that judgment itself. The taxpayer might have deposited his own funds in the foreign bank which could represent unreported income, earned legally or illegally, and have failed to report the income earned by investing such funds. In order to obtain the use of the funds, he might arrange to have

the foreign bank purport to lend him his own money. In addition, he could claim deductions for the alleged interest paid on the purported loans.

In such a case, it might be reasonable to require the taxpayer to obtain a full statement from the foreign bank as to the source of and security for the borrowed money and other appropriate details of the transaction and related transactions. For example, a customer of a bank is generally entitled to a full report on his transaction with the bank. In cases where he fails to do this, we are considering whether it would be appropriate to presume that he has obtained from the bank his own untaxed income.

In other cases where U.S. citizens or residents cannot explain their participation in international transactions (and they refuse to make available to the Internal Revenue Service information which they could obtain from foreign banks) we are considering whether it might also be appropriate to presume that the amounts involved represent the citizen's or resident's untaxed income.

The Treasury task force referred to is actively looking into the presumption area.

This completes my discussion of areas which the Treasury is studying.

We have not submitted a technical analysis of the bill nor discussed all aspects of the bill going beyond the foreign bank account problem. The Treasury task force has the bill under technical review and our comments in that regard will be made available to the Committee.

In developing new approaches in this area, we are mindful of our responsibilities and the special role of the dollar as the world's major transactions currency and reserve currency. The ability to use and invest dollars is fundamental to the functioning of the international monetary system and has been an important element in the great expansion of trade and investment and has facilitated the prosperity which the world now enjoys. Nothing should be done which would adversely affect the usefulness of the dollar for these purposes. We must proceed carefully in this area since any legislation which

inadvertently had the effect of lessening confidence in our currency or our economy could do substantial damage without furthering our objective of improved law enforcement.

In addition, it must be recognized that the use of foreign banking facilities is a necessary and vital element in today's world where international trade and investment play such major roles.

We are also mindful of the precious freedoms recognized by our Constitution, such as the freedom from search and seizure and the privilege against self incrimination. We also recognize that fundamental to our society is the concept of the right of privacy. Any measures which deal with the foreign bank account problem must be consistent with these freedoms.

The Treasury will continue to work on these matters and continue its meetings with banks and other financial institutions. At the completion of this study, the Treasury will be in a position to offer the Committee further help in this important work.

In conclusion, the Treasury recognizes that evasion by United States citizens and residents through the use of foreign secret bank accounts is a serious enforcement problem for which strong measures are required. The Treasury fully supports the objective of H.R. 15073 to deal with secret foreign accounts which aid tax evasion and other violations of United States laws. We feel, however, that the bill goes too far and that additional work is required to determine the best way to achieve this objective without hampering the free flow of international commerce, without creating undue cost and administrative burdens on both the private sector and government, while preserving the status of the dollar as the major transactions currency and reserve currency of the world. We believe that measures can be developed which would not create these problems and which would be effective in helping us fight tax evasion and other criminal activities of United States citizens and residents.

The Treasury has given this effort high priority

and in so doing will continue its work with other governments and will actively pursue its review of measures which can be developed administratively and by legislation.

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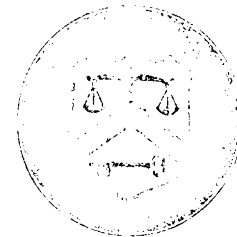
TREASURY DEPARTMENT



WASHINGTON, D.C.
December 10, 1969

FOR IMMEDIATE RELEASE

TREASURY SECRETARY KENNEDY
RETURNS EARLY FOR TAX CONFERENCE

The Treasury Department announced today that Secretary David M. Kennedy will return Thursday from Europe in order to be in Washington while House and Senate conferees determine the final shape of the tax bill.

The Secretary, who attended the NATO Ministerial meeting in Brussels last week, also visited the Hague, London, Frankfort, Bonn and Paris, to discuss the current international economic and financial situation with his counterparts.

The Secretary had also hoped to visit Rome, but is returning early because it appears that the tax bill will be sent to conference sooner than was anticipated.

Paul Volcker, Under Secretary for Monetary Affairs, who accompanied the Secretary, will continue to Rome for visits there with Emilio Colombo, Minister of the Treasury, and Guido Carli, Governor of the Bank of Italy.

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TREASURY DEPARTMENT
Washington

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FOR RELEASE 1:30 P.M., EST
FRIDAY, DECEMBER 12, 1969

EXCERPTS FROM REMARKS BY PROFESSOR HENRY C. WALLICH
SENIOR CONSULTANT TO SECRETARY OF THE TREASURY DAVID M. KENNEDY
AT THE AMERICAN BUSINESS AND THE FUTURE OF THE
INTERNATIONAL MONETARY SYSTEM SEMINAR OF
THE AMERICAN MANAGEMENT ASSOCIATION,
NEW YORK, NEW YORK, DECEMBER 12, 1969

THE VIABILITY OF THE PRESENT INTERNATIONAL SYSTEM

The sponsors of this session have wisely disposed that, before turning to the subject of reform, a look be taken at the system that is proposed to be reformed. To consider the viability of the present system is the purpose of these remarks.

I would hope that viability of the existing system is not the sole criterion of the need for reform. We should have enough interest in improvements to make us willing to reform a system even if it has not become unviable, provided we have something better to put in its place. But neither should we, in order to promote a reform that we find intellectually stimulating, give up a well working system for something about which we know very little.

First, let me note that "the present system" is capable of different interpretations. Is it a system, as one might have said a year ago, in which major countries refuse to adjust their exchange rates even when confronted with the evidence of strong disequilibrium? Or is it a system in which, as some might say today, major countries make rate adjustments skillfully and with a relative minimum of disturbance to the system? Unwillingness to make discrete rate changes of the sort provided for in the Fund's charter has been one of the main reasons for proposing limited flexibility. The two recent major rate changes don't add up to conclusive evidence that the adjustable peg system is now at last working flexibility. But neither can one proceed to talk about limited flexibility as if nothing had happened this summer and fall. At a minimum, the

degree of urgency that some countries may have felt about the need for reform may have changed. On the other hand the starting conditions for a crawling peg have improved thanks to the realignments that have occurred. In addition, the short happy life of the floating D-mark has provided some new evidence to which I want to return later.

To put the matter in briefest terms, I believe that the difficulties that have cumulated within the existing system, as a system, are still with us. They are familiar. The development of large capital movements, inadquately foreseen at Bretton Woods, has made rate changes more difficult because every prospective change evokes massive speculation. Maintenance of stable rates has become more difficult because some countries, including our own, have indulged in higher rates of inflation. Meanwhile it has begun to appear also that there may be systematic differences among countries in their degree of inflation-proneness. We would then confront, not just the danger of random over-and-undervaluation of currencies, but systematic trends in one or the other direction. Finally, as my colleague Hank Houthakker has documented, the long term elasticities of demand for imports differ among countries, so that even if rates of inflation and rates of income growth were the same among countries, their imports would develop differently.

All these developments calling for more frequent rate changes could be brought under control if countries were willing and able to coordinate their policies with each other and if the results of these policies were reasonably predictable. Efforts in that direction have been going on. Whatever results may have been achieved can at best have prevented greater destabilization than actually occurred. Even within the Common Market, which is based on the assumption of fixed rates among the members, balance has not been preserved by coordination.

I have no doubt that at some future time, a system of durably stable exchange rates will again come into being. It existed for a hundred years when sterling was the world's currency. It exists within every country, including a very large one such as ours. The experience of the world points to the overwhelming preference of traders and bankers for such a system, provided it is truly stable. But the effort to attempt

such a system after World War II evidently was premature. What we got was rigidity, not stability. For the time being, we must accept not infrequent rate changes. The question is simply whether occasional changes be relatively large amounts or continuous changes by small amounts are preferable, and if the latter, how these frequent small changes should be guided and limited.

At the last International Monetary Fund meeting in Washington, Secretary of the Treasury Kennedy proposed a study of limited flexibility of exchange rates. He indicated open-mindedness on the subject but pointed out that in the U.S. no conclusion on desirability of any of the techniques widely discussed had been reached. Among other specific points he noted that, since the dollar was fixed, the initiative rested with other countries. Subsequently, Under Secretary of the Treasury Paul Volcker said before a subcommittee of the Joint Economic Committee that we should examine the possible usefulness of introducing greater flexibility into the foreign exchange mechanism, but that it was far too soon to say which, if any, of the existing proposals would prove feasible. Thus for the brief official history of the matter.

It is of some interest to review the evolution of the counterproposals that have been made to the present system of temporarily fixed rates, with its built-in temptation to postpone rate adjustments too long. The first counter-proposal, still supported by many, was unlimited flexibility. Let rates float, free of all intervention, and you will have no more balance of payments problems, no reserve problems, no international constraint of domestic policies. The unrealism and great risks of this proposal led to the wider band, the grandfather of all limited flexibility plans, already discussed during the 1920s. It has been referred to as the solution for the nervous floater. But the wider band, primarily designed to reduce speculation and cope with random payments imbalances, aside from giving greater freedom to domestic monetary policy, was seen to have substantial defects. It would not cope with systematic trends in imbalances resulting, for instance, from systematically different national rates of inflation. And cynical critics refused to believe that a government unwilling to defend its basic parity would nevertheless bleed reserves to the last drop and die to hold the exchange rate at some fixed distance from parity.

Thus we came to the crawling peg. It has been described as the solution for the nervous stabilizer. Of all the devices, it is closest to stable rates, both in the very limited maximal variation within a given moderate time period, and in the relative stability of the rate at any one moment. Thus, the defenders of stable rates could tell the flexible rates side that essentially they, the defenders, had won the argument, and go home.

But there is more to the matter than that. The crawling peg is an ingenious device, but it comes in a large number not only of sizes, but of structural types. Its usefulness depends not only on the speed and therefore possible extent per time period of the crawl, but on whether it is automatic or discretionary, up and down or one way only, universal or selective, optional or mandatory, and so on. It has been explored with considerable intensity in recent months and much has been learned. But the period of exploration and discusion has been short. Many of the findings remain to be tested and evaluated.

The findings indicate that some of the problems are less serious than the critics had feared or hoped. This seems to apply, for instance, to the interest rate constraint, and to the limitations it might place on monetary policy. A systematic crawl in one direction is likely to have some effect on interest rates, not necessarily a great deal, and the consequences seem livable. Likewise, the concern that foreign traders and investors could not live with the uncertainties of a crawl seems overdone. Businessmen know that the system of adjustable pegs involves the risk of periodic crises with potentially large gains or losses, and that the defense of these temporary parities implies the threat of controls. The real contrast is not between these two systems, but between both of them and a system of reliably stable rates, made credible by coordinated policies.

But several problems not initially seen with equal clarity have also come into focus.

(1) It is obvious that so long as the dollar is used as the intervention currency, the dollar cannot crawl at all. Other currencies only can crawl against the dollar. This passive role of the dollar means, first, that even under a discretionary system the U.S. would have no control over its own exchange rate. One may

see in this a certain resemblance to conditions under the present system. But in any event, the point needs to be recognized. The passive role of the dollar means, second, that if the U. S. were to enter into a negotiation of this proposal with other countries, and were to urge its adoption, it would be urging other countries to do something which it would not do itself. This is different, for instance, from negotiating SDRs.

(2) The experience of post World War II exchange rate movements seems to indicate that currencies more often go down than up, and go down by larger amounts than they go up. This bias threatens the dollar with overvaluation. To be sure, to the extent that the bias reflects higher rates of inflation in countries other than the U. S., or other phenomena causing deficits, a justification can be found. But there are many reasons for thinking that the bias goes further. One must suppose that a similar bias would operate under a crawling peg system. If so, the dollar would be exposed to progressive overvaluation. Arrangements would have to be made to counteract this tendency, such as firm rules controlling the crawl, or perhaps limiting it to an upward direction.

(3) Alternatively, it has been argued that the fear of excessive downward crawls is overdone, and that in fact few if any countries would want to crawl downward at all. This is because the announcement of downward crawl policy, or the evidence of it in the exchange markets, would start speculation. In the words of one commentator, a country might not admit the need to crawl down before it was ripe for substantial devaluation. Under these conditions, crawls would be predominantly or exclusively upwards, as well as probably infrequent.

(4) It seems clear that, at a minimum, many countries will want to be able to control the timing, direction, and extent of their exchange rate movements. This implies a discretionary crawl system.

But for the U. S., and for other countries that do not expect to crawl, a requirement that crawlers follow an automatic system holds certain attractions. In that way, there would be less danger of blocking movements toward equilibrium. A conflict of interest thus seems possible.

(5) There seem to be good reasons for many countries to avoid crawling-type adjustments altogether. Small, highly open economies have much to gain from exchange rate stability. Countries tied to each other by common market or free trade area relations may wish to preserve stable rates among themselves. The recent upward movement of the D-mark,which may be described as a quick and limited crawl, demonstrates that this kind of flexibility creates serious problems for the Common Market. Members of a common market or free trade area could of course crawl jointly while preserving stable rates among themselves. This would require, however, developing the appropriate instruments and techniques for market intervention. It would require, more importantly, a harmony of interests in exchange rate matters. If one member of the group wished to crawl up while another wished to crawl down, the most likely result would be no movement at all.

If it should turn out that few countries desire to change their rates through a crawling peg, does it make sense to negotiate rules? Practical men do not care to construct elaborate systems of little practical applicability. Might it not be more sensible to wait until a candidate presents himself, allow him to obtain a waiver for his enterprise from the IMF, and then let him do the best he can for himself while gathering experience for all of us?

This might seem to be the simple pragmatic answer, and yet I wonder whether it is. For the U. S. and probably for others, the experimental approach could hold some risks. As pointed out above, countries have different interests in the degree of discretion and automaticity of the crawl. The U. S. particularly must be alert to a tendency toward overvaluation of the dollar. These and other issues require prior negotiation, if the danger of injury is to be forestalled. An experimental

crawl, free from constraining rules and conditions, would have appeal mainly if it were exclusively in an upward direction. If the United States were to consent to a more general scheme involving crawls in both directions, some of the terms probably would have to be spelled out in advance.

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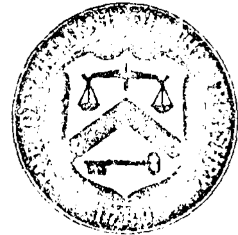
TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR IMMEDIATE RELEASE

December 12, 1969

TREASURY ANNOUNCES SCHEDULE CHANGE FOR
WEEKLY BILL AUCTION DUE TO HOLIDAY SEASON

The Treasury announced today that the weekly bill auction normally scheduled for Monday, December 22, will be held instead on Friday, December 19. The day for the auction is being advanced to assure ample time between it and the payment date during the holiday season. The payment and delivery date for these bills will be Friday, December 26.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

December 12, 1969

FOR IMMEDIATE RELEASE

DECISION MADE ON TRANSFORMERS UNDER ANTIDUMPING ACT

The Treasury Department announced today that it has investigated charges of possible dumping of transformers (of the type used in consumer electronic products) from Japan.

A notice announcing a tentative determination that this merchandise is not being, nor likely to be, sold at less than fair value within the meaning of the Antidumping Act will be published in an early issue of the Federal Register.

The investigation revealed some instances of dumping margins in the earlier part of the period covered by the investigation. Subsequently, however, these margins were significantly reduced where they were not completely eliminated. Thereafter, formal assurances were received from all the manufacturers investigated that they would make no future sales at less than fair value.

Treasury's tentative negative determination was based on these assurances in the light of the facts just described.

During the period January 1, 1968, through July 31, 1969, transformers valued at approximately $4,150,000 were imported from Japan.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

December 15, 1969

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 $ 3,000,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing December 26, 1969, in the amount of $ 2,900,840,000, as follows:

90-day bills (to maturity date) to be issued December 26, 1969, in the amount of $ 1,800,000,000, or thereabouts, representing an additional amount of bills dated September 25, 1969, and to mature March 26, 1970, originally issued in the amount of $ 1,201,115,000, the additional and original bills to be freely interchangeable.

181-day bills, for $ 1,200,000,000, or thereabouts, to be dated December 26, 1969, and to mature June 25, 1970.

The bills of both series will be issued on a discount basis under competitive and noncompetive 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, Friday, December 19, 1969. 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

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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 on December 26, 1969, in cash or other immediately available funds or in a like face amount of Treasury bills maturing December 26, 1969; provided, however, that if tenders are submitted to a Federal Reserve Bank or Branch that will be closed on December 26, settlement must be completed at such bank or branch on either December 24, or on December 29 with payment of three days' accrued interest unless settlement is made with Treasury bills maturing December 26, 1969. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE 6:30 P.M.,
Monday, December 15, 1969.

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 September 18, 1969, and the other series to be dated December 18, 1969, which were offered on December 10, 1969, were opened at the Federal Reserve Banks today. Tenders were invited for $1,800,000,000 or thereabouts, of 91-day bills and for $1,200,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing March 19, 1970		182-day Treasury bills maturing June 18, 1970	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	98.033 a/	7.782%	96.030 b/	7.853%
Low	97.988	7.960%	95.980	7.952%
Average	97.998	7.920% 1/	95.995	7.922% 1/

a/ Excepting 2 tenders totaling $202,000; b/ Excepting 1 tender of $4,000
3% 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

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 37,536,000	$ 27,536,000	$ 19,884,000	$ 9,884,000
New York	1,756,936,000	1,027,516,000	1,430,225,000	705,125,000
Philadelphia	44,504,000	29,504,000	24,175,000	13,723,000
Cleveland	47,419,000	47,419,000	61,629,000	46,629,000
Richmond	19,108,000	19,108,000	13,939,000	13,939,000
Atlanta	56,028,000	44,028,000	47,738,000	33,538,000
Chicago	228,044,000	218,044,000	131,039,000	87,620,000
St. Louis	52,516,000	44,016,000	37,575,000	31,975,000
Minneapolis	16,600,000	16,115,000	11,278,000	10,228,000
Kansas City	29,690,000	29,690,000	29,361,000	28,244,000
Dallas	28,096,000	21,096,000	26,922,000	16,922,000
San Francisco	349,478,000	276,978,000	342,170,000	202,667,000
TOTALS	$2,665,955,000	$1,801,050,000 c/	$2,175,935,000	$1,200,494,000 d/

c/ Includes $395,810,000 noncompetitive tenders accepted at the average price of 97.998
d/ Includes $263,488,000 noncompetitive tenders accepted at the average price of 95.995
1/ These rates are on a bank discount basis. The equivalent coupon issue yields are 8.19% for the 91-day bills, and 8.37% for the 182-day bills.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

December 16, 1969

FOR IMMEDIATE RELEASE AT 9 A.M. (EST)

The Treasury today released the following statement:

The question of the appropriate handling of newly mined gold within the framework of the two-tier gold market has been reviewed by United States officials in contacts over the past several weeks with financial officials of a number of individual countries in Europe and elsewhere, including the Union of South Africa as well as with officials of international financial organizations.

These discussions suggest that a basis for a satisfactory mutual understanding may be emerging.

It is anticipated that these discussions will now be pursued in the framework of the International Monetary Fund.

(This statement was released simultaneously by the U. S. Embassy in Rome)

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TREASURY DEPARTMENT

WASHINGTON, D.C.
December 16, 1969

FOR IMMEDIATE RELEASE

TREASURY'S MONTHLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $1,500,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing December 31,1969, in the amount of $1,499,702,000, as follows:

273-day bills (to maturity date) to be issued December 31, 1969, in the amount of $500,000,000, or thereabouts, representing an additional amount of bills dated September 30,1969, and to mature September 30,1970, originally issued in the amount of $1,005,264,000, the additional and original bills to be freely interchangeable.

365-day bills, for $1,000,000,000, or thereabouts, to be dated December 31,1969, and to mature December 31,1970.

The bills of both series will be issued on a discount basis under competitive and noncompetive 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, Tuesday, December 23, 1969. 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 the one-year 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

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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 December 31, 1969, in cash or other immediately available funds or in a like face amount of Treasury bills maturing December 31,1969. 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.

TREASURY DEPARTMENT

WASHINGTON, D.C.
December 17, 1969

FOR IMMEDIATE RELEASE

TREASURY ANNOUNCES CHANGES FOR 1970 IN PROGRAMS
TO RESTRAIN CAPITAL OUTFLOWS

The Treasury Department announced today limited changes for 1970 in the programs to restrain capital outflows from the U. S. These programs include the Foreign Direct Investment Program administered by the Commerce Department and the Voluntary Foreign Credit Restraint Program administered by the Federal Reserve Board. Changes in these programs for the coming year are designed to assure an ample supply of export credit finance and to provide somewhat greater leeway to commercial concerns for investment in less developed countries.

The Administration objective, as set forth by the President in his balance of payments statement of April 4, 1969, is to relax and ultimately dismantle these programs of selective restraints on capital outflows as soon as the balance of payments position of the United States permits. However, major progress toward that goal is not possible at this time in the light of the balance of payments trends this year and the persistence of strong inflationary pressures in the domestic economy.

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The specific changes in the programs administered by the Commerce Department and by the Federal Reserve Board are described in separate releases issued by them today.

TREASURY DEPARTMENT
Washington

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STATEMENT OF EUGENE T. ROSSIDES
ASSISTANT SECRETARY OF THE TREASURY
before the
SUBCOMMITTEE ON PUBLIC BUILDINGS AND GROUNDS
SENATE COMMITTEE ON PUBLIC WORKS
December 18, 1969 10 a.m.

Mr. Chairman and Members of the Committee.

As Assistant Secretary of the Treasury for Enforcement and Operations, my duties include supervision of the activities of the Secret Service and the White House Police Force. In this connection, I am appearing before your Committee in support of H.R. 14944 relating to the establishment of an Executive Protective Service.

H.R. 14944, as amended by the House Public Works Committee, would change the name of the White House Police Force to the Executive Protective Service. In addition

to the protective duties now performed by the White House Police, the new protective service would be authorized to provide protection of foreign embassies located in the Metropolitan area of the District of Columbia and in such other areas within the United States as the President may direct on a case by case basis. The authorized statutory strength of the Executive Protective Service would be limited to 850 members.

The protection to be provided the foreign diplomatic missions will be preventive in nature, not investigative. It is not contemplated that the Executive Protective Service to be authorized by the legislation pending before this Committee will operate as a police force. It will not assume the responsibility of the local police department

to enforce the laws relating to the protection of persons and property. The narrowly restricted responsibility granted to the Executive Protective Service by the bill is a security authority. The new Service will not have a broader police role than is necessary to fulfill the purposes for which it is established. Its jurisdiction will be restricted to the performance of preventive security functions in very limited areas of responsibility, i.e., the Executive Mansion and grounds, Presidential offices, and foreign diplomatic missions.

The ultimate responsibility for the security of foreign diplomatic missions is a Federal responsibility. It is an obligation of the central government under international law and practice. American embassies in foreign countries

receive protection from the central government of the countries in which they are located. In most instances, this protection has been adequate to provide reasonable security for American diplomatic personnel stationed abroad. In order to insure the continued security of American diplomatic personnel, it is incumbent upon the Federal government to reciprocate and insure reasonable security to foreign diplomatic missions located in this country.

To this end, the foreign diplomatic corps has repeatedly petitioned the State Department and the Office of the President for increased protection due to the high incidence of crime directed at foreign embassies

and their personnel. These complaints have come to the attention of the President and, at his direction, the Treasury Department sponsored legislation that would create a force having the responsibility for protection of foreign embassies.

With the increase in the crime rate and the current condition of violence and protest prevailing in our contemporary society, the President has become increasingly concerned over the problem of security involving foreign diplomatic missions and the adverse effect on our foreign relations which could result if the Federal government fails to discharge its obligation to provide adequate security for these missions. The Executive Protective Service is designed to meet our responsibility in this area.

I wish to emphasize again, however, that is is not contemplated that the Executive Protective Service would assume the responsibility of the local police to provide protection for foreign diplomatic personnel and to conduct criminal investigations involving embassy personnel, or to furnish officers in adequate numbers to control demonstrations and other disturbances occurring in close proximity to foreign diplomatic missions.

As spokesman for the Administration and the President concerning this problem, I urge your favorable consideration of the legislation now pending before this Committee.

* * * *

Mr. Chairman, the distinguished Director of the Secret Service and the White House Police, Mr. James J.

Rowley, will discuss in more detail the Executive Protective Service and will amplify the operational aspects of this approach. Director Rowley and I will be pleased to answer any questions that you or any other members of the Committee may have.

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TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE

WASHINGTON, D.C.

December 18, 1969

ISSUANCE OF DUMPING FINDING ON POTASSIUM CHLORIDE
IMPORTS FROM CANADA, FRANCE AND WEST GERMANY

The Treasury Department announced today that it has issued a finding that potassium chloride, otherwise known as muriate of potash, from Canada, France and West Germany is being dumped in the United States within the meaning of the Antidumping Act, 1921, as amended. The finding, which is required under the Antidumping Law, will be published in the Federal Register of December 19, 1969.

Earlier the Treasury Department determined that potassium chloride from these three countries was being, and was likely to be sold in the United States, at less than fair value. This was followed by a determination of the United States Tariff Commission that an industry in the United States was being and was likely to be injured by reason of the less than fair value imports.

The Treasury's determination was published in the Federal Registers of August 23 and 26, 1969. That of the Tariff Commission was published in the Federal Register of November 27, 1969.

Following today's finding, dumping duties will be assessed on all Canadian, French and West German potassium chloride imported into the United States on or after June 18, 1968, at dumped prices.

From August 1, 1967, through December 31, 1968, potassium chloride imports from Canada were valued at approximately $35 million. Imports from France and West Germany were considerably less.

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TREASURY DEPARTMENT

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WASHINGTON, D.C.

December 19,1969

FOR IMMEDIATE RELEASE

TREASURY REALIZED $22.3 MILLION SAVINGS IN
FISCAL 1969 THROUGH MANAGEMENT IMPROVEMENTS

The Treasury Department said today it saved $22.3 million by management improvements in fiscal year 1969, the highest in the 23-year history of the Department's program.

In a pamphlet entitled, "Progress in Management Improvement," the Department said that additional benefits amounting to $141.3 million came about from legislative or administrative policy changes. The total figure -- $163.6 million -- exceeded the previous record high by approximately $18 million.

Examples of the achievements of the Department listed in the 31-page booklet include:

-- The Bureau of Accounts saved $1.8 million in processing tax deposits under a newly developed automated Federal Tax Deposit System.

-- The Bureau of the Mint realized $6.5 million in revenue from the sale of proof coin sets and uncirculated coin sets.

-- By applying a sophisticated "discriminant function" technique to the automated selection of tax returns for audit, the Internal Revenue Service produced an additional $5.4 million tax yield.

-- The Bureau of Customs saved $3.4 million from its management improvements such as the "accelerated passenger inspection system" which reduced the time to clear arriving passengers at John F. Kennedy International Airport in New York from 45 to 20 minutes.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

OR RELEASE 6:30 P.M.,
riday, December 19, 1969.

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 September 25, 1969, and he other series to be dated December 26, 1969, which were offered December 15, 1969, ere opened at the Federal Reserve Banks today. Tenders were invited for $1,800,000,000, r thereabouts, of 90-day bills and for $1,200,000,000, or thereabouts, of 181-day bills. he details of the two series are as follows:

ANGE OF ACCEPTED OMPETITIVE BIDS:	90-day Treasury bills maturing March 26, 1970		:	181-day Treasury bills maturing June 25, 1970	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	98.060	7.760%	:	96.094	7.769%
Low	98.041	7.836%	:	96.057	7.842%
Average	98.049	7.804% 1/	:	96.071	7.815% 1/

52% of the amount of 90-day bills bid for at the low price was accepted
47% of the amount of 181-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	$ 46,331,000	$ 38,931,000	:	$ 20,007,000	$ 10,007,000
New York	1,737,369,000	1,255,329,000	:	1,304,927,000	823,503,000
Philadelphia	34,177,000	19,177,000	:	21,314,000	11,314,000
Cleveland	39,257,000	39,222,000	:	53,988,000	50,940,000
Richmond	30,203,000	25,243,000	:	13,489,000	11,489,000
Atlanta	46,551,000	33,876,000	:	38,762,000	28,367,000
Chicago	198,831,000	167,043,000	:	186,036,000	153,836,000
St. Louis	51,303,000	41,719,000	:	31,764,000	25,164,000
Minneapolis	14,182,000	13,182,000	:	8,814,000	8,814,000
Kansas City	35,865,000	35,627,000	:	29,739,000	29,589,000
Dallas	26,661,000	18,181,000	:	24,277,000	15,277,000
San Francisco	171,448,000	112,528,000	:	130,222,000	31,719,000
TOTALS	$2,432,178,000	$1,800,058,000 a/		$1,863,339,000	$1,200,019,000 b/

Includes $339,315,000 noncompetitive tenders accepted at the average price of 98.049
Includes $203,692,000 noncompetitive tenders accepted at the average price of 96.071
These rates are on a bank discount basis. The equivalent coupon issue yields are 8.07% for the 90-day bills, and 8.25% for the 181-day bills.

'REASURY DEPARTMENT 192

WASHINGTON, D.C.

December 22, 1969

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 $3,000,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing January 2, 1970, in the amount of $2,911,209,000, as follows:

90 -day bills (to maturity date) to be issued January 2, 1970, in the amount of $1,800,000,000, or thereabouts, representing an additional amount of bills dated October 2, 1969, and to mature April 2, 1970, originally issued in the amount of $1,208,450,000, the additional and original bills to be freely interchangeable.

181 -day bills, for $1,200,000,000, or thereabouts, to be dated January 2, 1970, and to mature July 2, 1970.

The bills of both series will be issued on a discount basis under competitive and noncompetive 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, December 29, 1969. 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 January 2, 1970, in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 2, 1970. 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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REASURY DEPARTMENT

WASHINGTON, D.C.

December 23, 1969

FOR IMMEDIATE RELEASE

TREASURY SECRETARY KENNEDY NAMES WENDELL E. GILE
AS NEW SAVINGS BONDS CHAIRMAN FOR STATE OF UTAH

Wendell E. Gile, Senior Vice President and Director, The Continental Bank and Trust Co., Salt Lake City, Utah, was appointed by Secretary of the Treasury David M. Kennedy as volunteer State Chairman for the Savings Bonds Program in Utah, effective December 18, 1969.

He has served as State Coordinator for the American Bankers Association Savings Bonds Committee since 1965.

Mr. Gile will head a committee of state business, finance, labor and government leaders who -- working with the Savings Bonds Division -- will assist in promoting the sales of Savings Bonds.

Mr. Gile, who is also Chairman of the Board, First National Bank, Evanston, Wyo., has been active in civic and banking circles for many years. He is Chairman, Great Salt Lake Committee, Salt Lake Chamber of Commerce; Chairman, Utah State Library Commission; Member and former President and Director, Bonneville Knife and Fork Club; Chairman, Neighborhood House Committee, Kiwanis Club.

He was a member of the Utah Bankers Association Executive and Legislative Committees for several years. He also served two terms as President, Mountain States Chapter, Robert Morris Associates.

Mr. Gile was born in Montpelier, Vt., on February 10, 1914. He received a Bachelor of Arts Degree in Business Administration from Boston University, and also attended law school. During World War Two, he served in the Air Force Finance Department, retiring as a colonel. He is married to the former Jane Dooly; they have a daughter, Bonnie Jane.

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TREASURY DEPARTMENT

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WASHINGTON, D.C.

FOR RELEASE 6:30 P.M.,
Tuesday, December 23, 1969.

RESULTS OF TREASURY'S MONTHLY 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 September 30, 1969, and the other series to be dated December 31, 1969, which were offered on December 16, 1969, were opened at the Federal Reserve Banks today. Tenders were invited for $500,000,000, or thereabouts, of 273-day bills and for $1,000,000,000, or thereabouts, of 365-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	273-day Treasury bills maturing September 30, 1970		365-day Treasury bills maturing December 31, 1970	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	94.127	7.745%	92.384	7.512%
Low	94.047	7.850%	92.289	7.605%
Average	94.084	7.801% 1/	92.334	7.561% 1/

99% of the amount of 273-day bills bid for at the low price was accepted
99% of the amount of 365-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	$ 6,634,000	$ 6,634,000	$ 11,281,000	$ 781,000
New York	779,808,000	362,708,000	1,168,136,000	699,136,000
Philadelphia	6,682,000	1,682,000	14,685,000	4,667,000
Cleveland	2,217,000	2,217,000	44,654,000	34,454,000
Richmond	9,559,000	9,559,000	5,051,000	5,051,000
Atlanta	14,639,000	8,639,000	17,644,000	9,644,000
Chicago	100,687,000	60,687,000	241,767,000	197,517,000
St. Louis	16,477,000	12,477,000	21,204,000	12,204,000
Minneapolis	938,000	938,000	1,107,000	1,107,000
Kansas City	1,418,000	1,418,000	5,957,000	5,957,000
Dallas	11,125,000	10,125,000	12,915,000	5,915,000
San Francisco	52,965,000	22,960,000	98,645,000	23,645,000
TOTALS	$1,003,149,000	$ 500,044,000 a/	$1,643,046,000	$1,000,078,000 b/

a/ Includes $24,446,000 noncompetitive tenders accepted at the average price of 94.084
b/ Includes $60,338,000 noncompetitive tenders accepted at the average price of 92.334
1/ These rates are on a bank discount basis. The equivalent coupon issue yields are 8.29% for the 273-day bills, and 8.14% for the 365-day bills.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

December 23, 1969

FOR IMMEDIATE RELEASE

COIN PRODUCTION AT NEW PHILADELPHIA MINT REACHES 8 MILLION PIECES DAILY

Eugene T. Rossides, Assistant Secretary of the Treasury for Enforcement and Operations, today issued the following statement:

Production of coins at the new Philadelphia Mint has reached 8 million coins a day.

The "break-in" period at the new facility, which opened August 14, will continue through calendar 1970. When the new mint is operating on a full two-shift, five day week schedule it is expected that production will reach 16 million coins per day. Current production is achieved on the same work schedule.

The new facility has resulted in improved security, better docking, loading and storage facilities and more efficient lay-outs with continuous casting and rolling procedures. For the first time the Philadelphia Mint will have capacity to prepare the bonded strip for the manufacture of the cupro-nickel dimes and quarters. A portion of the bonded strip produced in Philadelphia will be shipped to Denver for coining operations since the Denver Mint is not equipped for the bonding process.

The Mint, with the approval of the Congress, had sought higher speed and more efficient coining equipment. One of the methods tried was a General Motors Corporation suggestion for the production of coins by a rolling rather than stamping method. In 1965, the Bureau of the Mint entered into a contract with General Motors for a prototype coin rolling machine. That corporation made an extensive study of coin production and constructed and tested a prototype coin rolling machine at its own expense.

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For several months this prototype machine underwent tests at the new Philadelphia Mint. It is capable of producing U.S. cent coins. However, lengthy tests have shown that the effective life of dies used on the roller is much shorter than dies used in the conventional stamping processes.

This short die-tool life and other mechanical problems makes the coin roller uneconomical in comparison with a four-strike presses which the Mint developed during the coin shortage and during the development of the coin roller. In view of this, the Treasury and General Motors have mutually agreed to abandon further efforts to complete the coin roller at this time.

Treasury, with concurrence of the Bureau of the Budget and the appropriate Congressional appropriation committees, is issuing orders for conventional stamping presses of the most modern high speed four-strike type with improved supporting equipment to meet the planned coin production capacity of 8 million coins per shift per day. Until the new equipment is installed, the Mint will meet the Nation's coinage requirement with existing equipment and use of both the new and the old facility in Philadelphia.

It is expected that operation at the Old Mint will be terminated in approximately a year.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

December 24, 1969

FOR RELEASE AT 10:00 A.M., EST
WEDNESDAY, DECEMBER 24, 1969

UNITED STATES AND MEXICO EXTEND EXCHANGE STABILIZATION AGREEMENT

Secretary of the Treasury David M. Kennedy and the Ambassador of Mexico, Hugo B. Margain, have exchanged letters extending the $100,000,000 Exchange Stabilization Agreement between the United States Treasury, the Bank of Mexico, and the Government of Mexico signed on December 21, 1967, for a two-year period ending December 31, 1971.

This exchange of letters represents a continuation of the stabilization arrangements between the United States and Mexico which have been in effect since 1941, and have proved beneficial to the financial relationships between the two countries.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

December 24, 1969

FOR RELEASE A.M. NEWSPAPERS
FRIDAY, DECEMBER 26, 1969

TREASURY NAMES TWO AIDES TO COMMISSIONER OF CUSTOMS
TO ASSIST ON DRUG SMUGGLING AND FRAUDS

The Treasury Department today announced the appointment of Anthony L. Piazza and William B. Butler as Special Assistants to the Commissioner of Customs for Organized Crime and Smuggling. They will also act as liaison to Eugene T. Rossides, Assistant Secretary for Enforcement and Operations.

Mr. Piazza will report from New York to Commissioner of Customs Myles J. Ambrose as a member of the Customs team concerned with the combatting of organized crime, especially drug smuggling and frauds against the United States Government.

Mr. Butler will operate from Houston in advising the Commissioner on problems relating to drug smuggling along the Mexican border.

Mr. Piazza received his B.S. degree from Manhattan College in 1948 and his LL.B. degree from New York Law School in 1953. He was born in New York City and is a graduate of LaSalle Academy.

Prior to his present appointment he worked for the District Attorney of New York County, and was Assistant Counsel for the Waterfront Commission of New York harbor.

Mr. Piazza is married and is presently living at Avon-by-the-Sea, New Jersey. The Piazzas are the parents of five children.

Born in Hillsboro, Texas, Mr. Butler graduated from San Jacinto High School and attended Houston Junior College (now the University of Houston) before receiving his degree from the University of Texas. He received his LL.B. with highest honors from the University of Texas.

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(OVER)

Prior to his appointment, Mr. Butler was the United States Attorney for the Southern District of Texas and served as the Assistant United States Attorney in charge of the Civil Division for the same district.

Mr. Butler is married and lives in Houston, Texas. The Butlers are the parents of three children.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE

December 24, 1969

ASSISTANT SECRETARY ROSSIDES
COMMENTS ON FOREIGN BANK ACCOUNTS

In answer to queries, Assistant Secretary for Enforcement and Operations Eugene T. Rossides today issued the following statement:

The Treasury Department fully supports the objectives of H.R. 15073, a bill aimed at the prevention of use of foreign bank accounts for tax evasion, the smuggling of narcotics into the United States and other illegal purposes by U.S. citizens and residents. We so testified before the House Banking and Currency Committee on December 10.

We further testified: "To summarize our position, the Treasury fully supports the objective of H.R. 15073 to deal with secret foreign accounts which aid tax evasion and other violations of United States laws. We feel,however, that the bill goes too far and that additional work is required to determine the best way to achieve this objective without hampering the free flow of international commerce, without creating undue cost and administrative burdens on both the private sector and government, while preserving the traditional freedoms of American life, and the status of the dollar as the major transactions currency and reserve currency of the world. We believe that measures can be developed which would not create these problems and which would be effective in helping us fight tax evasion and other criminal activities of United States citizens and residents."

We did indeed supply the Banking and Currency Committee at their request with some technical assistance in drafting the bill it is considering. It has long been the custom of Treasury to supply technical assistance to any member of Congress or any Committee of Congress which is preparing a bill which involves Treasury. Such assistance in itself does not constitute

(OVER)

evidence that Treasury or the Administration concurs with the bill being prepared and the Committee was so informed. Indeed, since the Treasury's consideration of this problem had not been completed, we were not able to determine the exact measures which should be taken and, therefore, could not make extensive recommendations to the House Banking and Currency Committee staff. Our role in this case was limited to a brief technical review of drafts made available to us by the staff of the House Legislative Counsel.

Treasury is studying the problem of the foreign bank accounts as outlined on December 10 and I expect to make concrete recommendations at an early date.

While we want to eliminate or greatly restrict the illegal use of such accounts by Americans, we do not want to endorse a bill which in fact may fail in its objectives We feel that the bill, as drafted, could create a self-defeating mountain of paperwork. It is essential that any legislation be carefully tailored to the problem and to the manpower and other resources of the Internal Revenue Service and other Government agencies. Without this, the records made available to us could not be used with any significant degree of effectiveness.

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TREASURY DEPARTMENT
Washington, D. C.

FOR RELEASE UPON DELIVERY

REMARKS OF THE HONORABLE MURRAY L. WEIDENBAUM
ASSISTANT SECRETARY OF THE TREASURY FOR ECONOMIC POLICY
BEFORE THE ANNUAL MEETING OF THE
ALLIED SOCIAL SCIENCE ASSOCIATIONS
NEW YORK CITY
DECEMBER 28, 1969, 2:00 P.M., EST

IS FISCAL POLICY DEAD?: COMMENT

Only a few years ago, it seemed that fiscal policy was all that mattered. Monetary considerations were largely ignored. Now the pendulum of economic thinking may be in danger of swinging to the opposite extreme. I believe that such a swing is ill-advised. One can have great respect for the analytical and statistical work done by monetary economists without really believing that money is all that matters.

Sometimes when I read the studies that attempt to show that fiscal policy does not matter, it seems that they have all the objectivity of an impartial evaluation of George Washington's Army prepared by General Cornwallis.

Money, of course, does matter; but the fiscal position is also important, from at least two standpoints. On the one hand, there is the direct fiscal impact on spending, on income and output. On the other hand, there is the fiscal impact on credit markets.

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Events following the tax cut of 1964 seemed to verify the predictability of fiscal policy in promoting, as forecasted, a substantial expansion in output and employment. The belated tax increase of 1968 has not quite lived up to that earlier standard of predictability in terms of producing the forecasted behavior in total spending.

The reasons are complex and deserve careful study. Is there a basic lack of symmetry between tax reductions and tax increases? Or, from a purely analytical view, is it more important that the 1968 tax increase was viewed by some taxpayers as a purely temporary measure soon to be reversed? Was the tax increase thwarted by premature monetary expansion? Or was it the expenditure underestimate in 1968 which caused the damage by encouraging the Federal Reserve System to ease to avoid an overkill which in reality was not to occur? Provisional answers could be given to some of these questions, but only careful study and research can provide full insight.

It does seem to me that disillusionment with fiscal policy, while understandable, is decidedly premature. Some of the claims for "fine tuning" undoubtedly were exaggerated. But some of the current wave of fiscal skepticism seems almost equally ill-advised. Fiscal measures have helped to slow down the economy this year. What neither fiscal nor monetary restraint has done -- or should have been expected to do -- was to quickly arrest a strong inflationary momentum.

The monetarists are riding high these days, but I suggest that a touch of humility would be in order for them. I recall that some of them have been urging since early April that the policy of economic restraint be eased. Assuming the usual lags that we are so often told of, we would be in our ninth month now. I wonder what burst of renewed inflationary pressures the monetarist approach would have given birth to by now.

I find the subject of lags in monetary policy a particularly fascinating one. It seems that the estimate of lag increases with the application of monetary policy. Before you begin to apply monetary restraint, the estimate of the lag seems to be around six months. After you have begun monetary restraint, the estimated lag is set at about nine months. And when you are in an environment of fairly full monetary restraint, the lag seems to lengthen to about 12 months or even becomes "uncertain." I do not mean to be excessively critical of the potentials of monetary policy. I am a strong adherent of the position that "money matters, but it is not all that matters in economic policy."

To this observer, one clear lesson of the last few years is the importance of the Federal fiscal position to money and capital markets. Federal deficits at full employment spell trouble in terms of overstrained financial markets and upward pressures on interest rates.

Some fiscal skeptics fail to see how a few billion dollars -- of government money -- can matter one way or another. "A relatively small budget surplus or deficit, what's the difference?" seems to be the attitude of at least a few observers.

What some of the critics forget is that the extra Federal borrowing, while small relative to total output, impinges on credit markets whose short-run capacity is limited. This can be disruptive in terms of the functioning of markets, the allocation of credit among different classes of borrowers (e.g., for home mortgages), and the level of interest rates.

From a long-run standpoint, there is much to be said for a Federal surplus, rather than a mere budget balance, as the high employment target. Other things being equal, interest rates will be lower and private capital formation -- including housing -- will be higher. With a surplus, the Federal Government will be adding to the pool of savings available for investment rather than competing for private savings. However, such long-term policy must take account of the role of fiscal policy in short-run economic stabilization.

Personally, I find that perhaps one of the most balanced and informed appraisals of the relative merits of monetary and fiscal policy has been made by Governor J. Dewey Daane of the Board of Governors of the Federal Reserve System. It has become somewhat fashionable to cite portions of Governor Daane's recent Dartmouth speech as a vindication of monetary policy.

My own reading of this significant statement is somewhat different. To be sure, he made the often quoted statement that the FRB-MIT model "suggests that monetary policy is a more powerful tool of stabilization policy that most economists, except perhaps Milton Friedman, would have guessed..."

However, I find it instructive to read further. Several pages later, Governor Daane states that, "What it [the model] says is that fiscal policy is important and fiscal actions powerful, independently of what monetary policy does." For example, the FRB-MIT model appears to show that an increase in Federal Government purchases of goods and services, not accompanied by increased tax rates, produces an increase in GNP of three to four times the rise in Federal outlays, "even if the Federal Reserve does not finance the deficit by purchasing securities in the open market."

Governor Daane concludes, from his examination of the econometric model, that, "In short, monetary policy is quicker to change, but the lag in effects is larger; fiscal policy is slower to change but the lag in effects is shorter."

That is hardly sufficient cause for the burial of fiscal policy. We need to recognize the practical limitations under which fiscal policy operates. There are serious barriers to very frequent changes for short-run stabilization purposes. Political restraints may at times result in an inappropriate fiscal policy. Certainly, the $25 billion budget deficit in the fiscal year 1968 was a mark of wrong, but not ineffectual, fiscal policy. In retrospect, we would have hoped that fiscal effects then were weaker than they actually were.

To sum up, there are many sides to the economic elephant, around which economists are stumbling and of which we are taking various measurements. Money matters, as do fiscal actions. The state of our economic knowledge does not justify a doctrinaire dismissal of either stabilization policy approach. We have too few effective economic policy tools to be in a position to abandon any. The answer to the question, "Is Fiscal Policy Dead?" is, and should be, a resounding "NO!"

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For Release:
Monday, December 29, 1969
10:30 a.m.

EXCERPTS FROM REMARKS BY HENRY C. WALLICH
PROFESSOR OF ECONOMICS, YALE UNIVERSITY
AND SENIOR CONSULTANT TO THE SECRETARY OF THE TREASURY
BEFORE THE JOINT MEETING OF THE AMERICAN ECONOMIC ASSOCIATION
AND THE AMERICAN AGRICULTURAL ECONOMIC ASSOCIATION
NEW YORK, NEW YORK, DECEMBER 29, 1969

CURRENT ECONOMIC POLICIES: THEIR APPROPRIATENESS AND EFFECTIVENESS

In an economy where policy works with considerable lags, the only policies one can evaluate are, strictly, those prevailing up to six months ago or so. At some risk of being let down by events, I shall nevertheless comment on policies up to the present. What I find is that policies have been both appropriate and effective, the former perhaps a little more than the latter.

The principal objective of domestic economic policy has been to end the inflation without incurring excessive risk of recession. To this end, expenditures were held down severely and the tax surcharge continued in effect throughout 1969. Monetary policy was tightened around the turn of the year, and made still more restrictive in the spring. I would like to review these fiscal and monetary policies briefly.

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First, it should be apparent that it would not have been easy to pursue significantly more restrictive policies. It has sometimes been said that very tight policies, pursued at considerable risk of recession, would have been more effective in halting inflation. Just what would have had to be done to implement this prescription? Cut expenditures still more? -- Very difficult though perhaps not impossible. Raise taxes beyond the surcharge? -- So difficult as to be virtually impossible. Monetary policy alone had significant flexibility. Allow me to give a few details.

Monetary policy, in 1969, seems to have been guided principally by a money supply target rather than by an interest rate target. This seems appropriate at a time of inflation, when the "real" interest rate is almost impossible to diagnose. But note also that a money supply target, rigorously pursued, may produce extreme movements in interest rates. Observers who favor a balanced approach to policy targets have found themselves born out in this respect in 1969.

Monetary policy has encountered considerable difficulty in focussing on a convincing definition of the money supply. In mid-year, the Federal Reserve, thanks to a timely redefinition of the money supply, discovered that its growth rate had been about four percent instead of only about half as much, as previously believed.

I might add that a similar miscalculation could be laid at the door of fiscal policy, which defines the Federal budget without taking account of the booming Federal credit programs financed in the private sector. In any event, monetary policy makers and watchers seem to have reached an unspoken agreement to look at all the large monetary aggregates together -- money supply narrowly defined, broadly defined, bank credit, the monetary base. This sidesteps the argument over what definition of the money supply to use, of which I now count ten.

I must add that all ten definitions suffer from the common defect of being denominated in current dollars. We have often been told that the demand for money must be viewed in real terms, since people decide the size of their balances on the basis of what these balances will buy. With inflation at four to six percent and the nominal money supply constant, the real supply has been falling at an annual rate of almost six percent recently. This has been a very tight policy indeed.

Let me now turn to effectiveness. The policies, I believe, were about right. How well have they worked?

In an overall sense, it is probably broadly correct to say that the overexpansion of the economy is being slowed down not too far behind schedule. However, more of the restraint than might have been expected has fallen upon output, and less upon prices. The rate of output growth has been slowed to close to zero. But because this has involved reducing productivity gains also to approximately zero, a reduction in the rate of inflation has been delayed. This is understandable in the face of an inflation that, over a period of four years, has become embedded and much harder to deal with than a short price spurt. By and large, this is therefore the order in which one would expect disinflation to affect major variables: first output, then employment, then prices.

The lags of these policies have been on the long side. Lags have given rise to scepticism as to the ultimate success of disinflationary policy. Scepticism has further slowed the process. But the broad sweep of the monthly data, often observed and commented much beyond their ability to convey reliable information, confirms that the process is working. Only interest rates seem to be markedly off pattern, reflecting probably the combined effect of inflation and a money supply target followed by the monetary authorities. The price pattern may become somewhat distorted by earlier built-in cost increases not immediately transmitted to final prices.

A third area of inflation control, which I want merely to mention, relates to a series of steps at the micro-economic level, covering Government Procurement practices, attempts to eliminate construction cost rigidities, import policies, breakdown of discriminatory practices, and others. Some progress has been made in each of these areas, but it has been necessarily slow.

I would like to turn quickly on some policies that were not used, speaking purely in my professorial capacity. The absence of guideposts for prices and wages has been much noted. Personally, I have seen some potential merit in guideposts during periods of relative stability, provided they remained pedagogical instruments, which was not always the case. I fail to see how an Administration can propose, let alone implement, guideposts in the midst of an inflation. Either the wage guideposts might state, correctly, that wage increases should not, ordinarily exceed nationwide productivity gains. Under present conditions that would be wholly unrealistic. Or the guideposts might state that wage increases should not exceed some rate which took account of productivity and partly but presumably not fully of inflation. But what would that imply?

Guideposts, if observed, powerfully influence the distribution of national income between labor and capital. A government agency setting guideposts under inflationary conditions is in fact trying to tell labor and capital what their respective income shares are to be. This is a tremendous decision, and a particularly sensitive one during an inflation. In our free system such a decision cannot be made by government. If it can be made explicitly at all, it must come out of some consensus of the parties affected -- labor and business. It would be a social contract, of a kind attempted, with very variable success, in some European countries. If there is evidence that labor and business are prepared to discuss such a contract, it should be discussed, but without that evidence I see no point for government, in an inflation, to propose guideposts.

A second policy that was not used was a flexible tax device based on an excise tax. The income tax surcharge has been, to me, a partial though by no means a total disappointment. One may suspect, without having strong evidence, that this has had to do with its temporary character. Theory tells us that income windfalls do not get fully spent, negative windfalls do not cut deeply into spending. A variable tax with an excise character would have just the opposite effect. The more temporary it was expected to be, the more surely its imposition would lead to postponement of spending. I hate to think of the administrative complications of such a device. Perhaps they would be sufficient

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to rule it out. But similar things were said of the income tax surcharge. Clearly, because such a device would have perverse announcement effects, its administration would have to be in the hands of the executive branch, not of the Congress. This could further reduce such promise as it may hold.

Yet, as the Nation's demand for expert performance in stabilizing the economy increases, we cannot afford to reject out of hand the possible need for additional policy instruments. This view of our policies has shown, I hope, that policies and instruments have worked well, although far from perfectly. One way of doing better is to start thinking today about techniques that may need to become operational five or ten years from now.

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TREASURY DEPARTMENT

WASHINGTON, D.C.
December 31, 1969

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 $3,000,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing January 8, 1970, in the amount of $ 2,902,671,000, as follows:

91-day bills (to maturity date) to be issued January 8, 1970, in the amount of $ 1,800,000,000, or thereabouts, representing an additional amount of bills dated October 9, 1969, and to mature April 9, 1970, originally issued in the amount of $ 1,200,584,000, the additional and original bills to be freely interchangeable.

182-day bills, for $ 1,200,000,000, or thereabouts, to be dated January 8, 1970, and to mature July 9, 1970.

The bills of both series will be issued on a discount basis under competitive and noncompetive 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, January 5, 1970. 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 anks 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 January 8, 1970, in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 8, 1970. 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.

December 31, 1969

FOR RELEASE IN A.M. NEWSPAPERS
FRIDAY, JANUARY 2, 1970

TREASURY ANNOUNCES REPORTING PROCEDURES
TO BE USED IN ACCOUNTING FOR SPECIAL DRAWING RIGHTS

The Treasury Department announced today the reporting procedures it will use in accounting for its Special Drawing Rights (SDRs) in the International Monetary Fund.

Treasury said it would account for the SDRs in a manner generally analogous to that used in accounting for gold transactions.

Special Drawing Rights will be held by the Exchange Stabilization Fund of the Treasury. Against these SDRs, the Stabilization Fund may issue to the Federal Reserve, Special Drawing Rights Certificates, just as the Treasury may now issue Certificates to the Federal Reserve against gold. Thus the balance sheets of the Exchange Stabilization Fund which appear quarterly in the Treasury Bulletin will show holdings of SDR and the amount of SDR certificates outstanding.

A new column will appear in the table on U.S. Reserve Assets in the monthly Treasury Bulletin showing SDR holdings as of each month end.

The Quarterly Treasury press release which shows gold transactions of the United States with other countries will in the future also include data on SDR transactions.

In addition, the monthly Receipts and Expenditures statement of the Treasury will show SDR holdings and SDR certificates outstanding. The weekly Federal Reserve statement will also show the amount of SDR certificates held by the Federal Reserve.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

January 2, 1970

FOR RELEASE A.M. NEWSPAPERS
SUNDAY, JANUARY 4, 1970

TREASURY SECRETARY DAVID M. KENNEDY ANNOUNCES INCREASED ANTI-NARCOTICS SMUGGLING DRIVE

Treasury Secretary David M. Kennedy today made the following statement:

"The signing of the supplemental appropriations bill by the President gives to the Treasury Department additional resources for its campaign against smuggling of narcotics and other dangerous drugs into the United States.

"The measure contains $8.75 million in funds for Treasury's Bureau of Customs for use in this effort. I congratulate the Congress for passage of this anti-narcotics smuggling appropriation.

"President Nixon, during his campaign, pledged strenuous efforts to combat illegal drug traffic. It is a high priority program of the Administration. The Treasury Department has made this campaign the number one effort in the area of law enforcement.

"The President, in his July 14, 1969, Message to the Congress on the Control of Narcotics and Dangerous Drugs stated:

'"The Department of the Treasury, through the Bureau of Customs, is charged with enforcing the nation's smuggling laws. I have directed the Secretary of the Treasury to

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initiate a major new effort to guard the nation's borders and ports against the growing volume of narcotics from abroad. There is a recognized need for more men and facilities in the Bureau of Customs to carry out this directive.'

"This anti-narcotics smuggling supplemental appropriation is the end product of the President's request and gives the Treasury the funds for the manpower and facilities urgently needed to carry out the President's directive for a major new effort. Customs will now be able to step up its activities to stop the smuggling of illegal drugs.

"Plans for the new drive have been under formulation for months. I have directed Assistant Secretary for Enforcement and Operations, Eugene T. Rossides, to implement these plans with an emphasis on heroin smuggling.

"Customs Commissioner Myles Ambrose already has established a command post for the new anti-heroin drive. While the intensified anti-smuggling activity will be nationwide, the command post is in New York City since heroin smuggling is most prevalent in the northeast section of the country. Regional command posts will be established as needed in other parts of the country. The program will be fully coordinated with other Federal and state and local law enforcement agencies."

The Department said the funds will make it possible for Customs to employ 879 additional people, including 378 inspectors, 307 criminal investigators, and supporting personnel.

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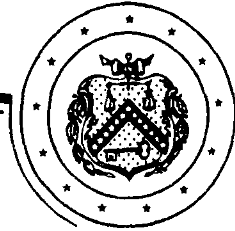
TREASURY DEPARTMENT



WASHINGTON, D.C.

January 5, 1970

FOR IMMEDIATE RELEASE

DECISIONS ON PIG IRON
UNDER THE ANTIDUMPING ACT

The Treasury Department announced that determinations have been made that pig iron from Brazil, Sweden, and the United Kingdom is not being, nor likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160 et seq.).

Tentative determinations were published in the Federal Register on November 21, 1969. These notices allowed 30 days for the submission of written views or requests for an opportunity to present views orally. No submissions were received.

Information gathered in this investigation shows sales of the merchandise to the United States were terminated. There is no information indicating that pig iron will be shipped to the United States from Brazil, Sweden, or the United Kingdom in the near future.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

R RELEASE 6:30 P.M.,
nday, January 5, 1970.

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 October 9, 1969, and the ner series to be dated January 8, 1970, which were offered on December 31, 1969, were ened at the Federal Reserve Banks today. Tenders were invited for $1,800,000,000, thereabouts, of 91-day bills and for $1,200,000,000, or thereabouts, of 182-day lls. The details of the two series are as follows:

NGE OF ACCEPTED PETITIVE BIDS:	91-day Treasury bills maturing April 9, 1970		:	182-day Treasury bills maturing July 9, 1970	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	98.012 a/	7.865%	:	95.966 b/	7.979%
Low	97.982	7.983%	:	95.956	7.999%
Average	97.988	7.960% 1/	:	95.960	7.991% 1/

a/ Excepting 1 tender of $50,000; b/ Excepting 2 tenders totaling $101,000
37% of the amount of 91-day bills bid for at the low price was accepted
53% 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	$ 40,626,000	$ 36,241,000	:	$ 28,654,000	$ 9,949,000
ew York	1,835,184,000	1,159,614,000	:	1,718,285,000	786,934,000
hiladelphia	42,082,000	26,306,000	:	30,060,000	18,136,000
leveland	57,284,000	54,673,000	:	76,315,000	68,863,000
ichmond	38,291,000	38,291,000	:	48,495,000	33,144,000
tlanta	58,295,000	45,035,000	:	65,638,000	38,530,000
hicago	278,675,000	199,801,000	:	192,969,000	55,016,000
t. Louis	67,098,000	51,169,000	:	48,929,000	36,389,000
inneapolis	24,669,000	9,039,000	:	22,285,000	8,730,000
ansas City	49,320,000	42,568,000	:	55,744,000	48,617,000
allas	39,333,000	25,333,000	:	49,405,000	35,405,000
an Francisco	185,289,000	112,080,000	:	170,558,000	61,179,000
TOTALS	$2,716,146,000	$1,800,150,000 c/		$2,507,337,000	$1,200,892,000 d/

Includes $514,428,000 noncompetitive tenders accepted at the average price of 97.988
Includes $400,490,000 noncompetitive tenders accepted at the average price of 95.960
These rates are on a bank discount basis. The equivalent coupon issue yields are 8.24% for the 91-day bills, and 8.44% for the 182-day bills.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

January 7, 1970

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 $ 3,000,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing January 15, 1970, in the amount of $ 2,905,533,000, as follows:

91-day bills (to maturity date) to be issued January 15, 1970, in the amount of $1,800,000,000, or thereabouts, representing an additional amount of bills dated October 16, 1969, and to mature April 16, 1970, originally issued in the amount of $ 1,203,109,000, the additional and original bills to be freely interchangeable.

182-day bills, for $ 1,200,000,000, or thereabouts, to be dated January 15, 1970, and to mature July 16, 1970.

The bills of both series will be issued on a discount basis under competitive and noncompetive 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, January 12, 1970. 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

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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 January 15, 1970, in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 15, 1970. 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.
January 8, 1969

FOR RELEASE A.M. NEWSPAPERS
FRIDAY, JANUARY 9, 1970

TREASURY SECRETARY KENNEDY
ANNOUNCES DONNELLEY'S RETIREMENT

Treasury Secretary David M. Kennedy today announced designation of Calvin E. Brumley as his Acting Special Assistant for Public Affairs.

The post of Special Assistant for Public Affairs became vacant at year end when Dixon Donnelley, who was appointed to the position last March, resigned to accept a position as Vice President for Public Affairs of the American Paper Institute. He will maintain his residence in Washington and work out of Washington and New York offices.

Mr. Brumley was appointed Deputy Special Assistant to the Secretary for Public Affairs on April 14, 1969. Prior to the appointment he was news editor of the Associated Press-Dow Jones Economic Report, an international business news wire in New York. He had been employed by Dow Jones and Company, Inc., which publishes the Wall Street Journal, for nearly 15 years as a reporter, bureau manager and news editor.

Mr. Donnelley has had an extensive newspaper career and completed 20 years of government service.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

January 8, 1970

FOR IMMEDIATE RELEASE

INDUSTRIAL PAYROLL SAVINGS COMMITTEE
MEETS JANUARY 14 WITH SECRETARY KENNEDY

The U. S. Industrial Payroll Savings Committee, made up of top executives of American business and industry, meets in Washington on Wednesday, January 14, to review program accomplishments in 1969 and to formulate plans for the 1970 campaign.

Secretary of the Treasury David M. Kennedy and other Treasury officials will meet with the Committee. Gordon M. Metcalf, Chairman of the Board and Chief Executive Officer of Sears, Roebuck and Co., Chicago, Ill., is to be installed as 1970 Chairman, succeeding 1969 Chairman James M. Roche, Chairman of the Board, General Motors Corp., Detroit, Mich.

Mr. Roche is to preside over the meeting, to be held in the Benjamin Franklin Room of the Department of State's Diplomatic Functions Suite, with a reception at 11:45 and a luncheon at 12:30.

Other speakers on the day's program include Under Secretary of the Treasury for Monetary Affairs Paul A. Volcker, and Elmer L. Rustad, National Director of the Treasury's Savings Bonds Division. George Meany, President, AFL-CIO, will also speak.

During the past year, the Committee, members of which led Payroll Savings activities in the major industrial and geographical areas of the Nation, spearheaded a drive in which more than 2,300,000 new payroll savers or savers who increased their purchases were signed up for the regular purchase of Savings Bonds and Freedom Shares. Of these, more than 900,000 were from within the companies of the Committee members. In terms of dollar volume, the Committee's accomplishment comes to $3.7 billion.

A list of the 1969 and 1970 Committee members is attached.

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Attachment

U. S. INDUSTRIAL PAYROLL SAVINGS COMMITTEE
1970 MEMBERS

Ex Officio General Chairman
Honorable David M. Kennedy
Secretary of the Treasury

1970 Chairman
Gordon M. Metcalf
Chairman of the Board
Sears, Roebuck and Company
Chicago, Illinois

1963-1969 Chairmen
James M. Roche
Chairman of the Board
General Motors Corporation
Detroit, Michigan
(1969 Chairman)

William P. Gwinn
Chairman
United Aircraft Corporation
East Hartford, Connecticut
(1968 Chairman)

Daniel J. Haughton
Chairman of the Board
Lockheed Aircraft Corporation
Burbank, California
(1967 Chairman)

Lynn A. Townsend
Chairman of the Board
Chrysler Corporation
Detroit, Michigan
(1966 Chairman)

Dr. Elmer W. Engstrom
Chairman of the Executive Committee
RCA Corporation
New York, New York
(1965 Chairman)

Frank R. Milliken
President
Kennecott Copper Corporation
New York, New York
(1964 Chairman)

Harold S. Geneen
Chairman and President
International Telephone and Telegraph Corporation
New York, New York
(1963 Chairman)

Geographic Members
Roger S. Ahlbrandt
President
Allegheny Ludlum Steel Corp.
Pittsburgh, Pennsylvania

Rexford A. Bristol
Chairman of the Board
The Foxboro Company
Foxboro, Massachusetts

John G. Brooks
Chairman and President
Lear Seigler, Inc.
Santa Monica, California

Donald W. Douglas, Jr.
Vice President
McDonnell Douglas Corporation
St. Louis, Missouri

Edward J. Dwyer
President
ESB Incorporated
Philadelphia, Pennsylvania

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Milton L. Elsberg
President
Drug Fair Stores Corp.
Alexandria, Virginia

N. W. Freeman
President
Tenneco Inc.
Houston, Texas

E. Clayton Gengras
Chairman of the Board
Security Corporation
Hartford, Connecticut

Leister F. Graffis
President
Bendix Field Engineering Corp.
Columbia, Maryland

H. B. Groh
President
Wisconsin Telephone Co.
Milwaukee, Wisconsin

Palmer Hoyt
Editor and Publisher
The Denver Post
Denver, Colorado

Robert S. Ingersoll
Chairman of the Board
Borg Warner Corporation
Chicago, Illinois

Edgar F. Kaiser
Chairman of the Board
Kaiser Industries Corporation
Oakland, California

Stephen F. Keating
President
Honeywell, Inc.
Minneapolis, Minnesota

Harold R. Lilley
President
Frito-Lay, Inc.
Dallas, Texas

Ray W. MacDonald
President
Burroughs Corp.
Detroit, Michigan

Donald S. MacNaughton
President
Prudential Insurance Company
of America
Newark, New Jersey

Tom R. May
President
Lockheed - Georgia Company
Marietta, Georgia

Cornelius W. Owens
President
New York Telephone Company
New York, New York

Alfred J. Stokely
President
Stokely-Van Camp, Inc.
Indianapolis, Indiana

T. A. Wilson
President
The Boeing Company
Seattle, Washington

W. H. Wilson
President
Addressograph-Multigraph Corp.
Cleveland, Ohio

Industry Members

Thomas G. Ayers
President
Commonwealth Edison Company
Chicago, Illinois

Harry O. Bercher
Chairman of the Board
International Harvester Co.
Chicago, Illinois

Charles G. Bluhdorn
Chairman of the Board
Gulf & Western Industries, Inc.
New York, New York

Michael Daroff
President and Chairman of the Board
Botany Industries, Inc.
New York, New York

John D. deButts
Vice Chairman of the Board
American Telephone and Telegraph Company
New York, New York

B. R. Dorsey
President
Gulf Oil Corporation
Pittsburgh, Pennsylvania

Edwin H. Gott
Chairman, Board of Directors
United States Steel Corporation
Pittsburgh, Pennsylvania

Edward B. Hinman
President
International Paper Company
New York, New York

Dr. J. C. Hodge
Chairman of the Board
Warner & Swasey Company
Cleveland, Ohio

Downing B. Jenks
President
Missouri Pacific Railroad
St. Louis, Missouri

William J. Kane
President
The Great Atlantic & Pacific Tea Company, Inc.
New York, New York

J. Ward Keener
Chairman of the Board
The B. F. Goodrich Company
Akron, Ohio

Harding L. Lawrence
Chairman and President
Braniff International
Dallas, Texas

Roger Lewis
President
General Dynamics Corporation
New York, New York

Oscar G. Mayer, Jr.
Chairman of the Board
Oscar Mayer & Company
Madison, Wisconsin

Frederick C. Maynard, Jr.
Senior Vice President
The Travelers Insurance Companies
Hartford, Connecticut

C. Peter McColough
President
Xerox Corporation
Stamford, Connecticut

Joseph H. McConnell
President
Reynolds Metals Company
Richmond, Virginia

Robert E. McNeill, Jr.
Chairman of the Board
Manufacturers Hanover Trust
  Company
New York, New York

Honorable Raymond P. Shafer
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania

E. Clinton Towl
Chairman
Grumman Aircraft Engineering
  Corp.
Bethpage, New York

Robert G. Wingerter
President
Libbey-Owens-Ford Company
Toledo, Ohio

U. S. INDUSTRIAL PAYROLL SAVINGS COMMITTEE
1969 MEMBERS

Ex Officio General Chairman
Honorable David M. Kennedy
Secretary of the Treasury

Chairman
James M. Roche
Chairman of the Board
General Motors Corporation
Detroit, Michigan

Geographic Members

Edd H. Bailey
President
Union Pacific Railroad Company
Omaha, Nebraska

R. F. Barker
Chairman of the Board
PPG Industries, Inc.
Pittsburgh, Pennsylvania

Rexford A. Bristol
Chairman of the Board
The Foxboro Company
Foxboro, Massachusetts

Edwin O. George
President
The Detroit Edison Company
Detroit, Michigan

J. E. Gosline
Vice Chairman of the Board
Standard Oil Company of California
San Francisco, California

Leister F. Graffis
President
Bendix Field Engineering Corporation
Columbia, Maryland

Harold B. Groh
President
Wisconsin Telephone Company
Milwaukee, Wisconsin

Floyd D. Hall
Chairman of the Board
Eastern Air Lines
New York, New York

Fred L. Hartley
President
Union Oil Company of California
Los Angeles, California

Robert R. Herring
President
Houston Natural Gas Corporation
Houston, Texas

Palmer Hoyt
Editor and Publisher
The Denver Post
Denver, Colorado

Stephen F. Keating
President
Honeywell, Inc.
Minneapolis, Minnesota

Sherman R. Knapp
Chairman of the Board
Northeast Utilities
Wethersfield, Connecticut

Harold R. Lilley
President
Frito-Lay, Inc.
Dallas, Texas

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William L. Lindholm
President
Chesapeake and Potomac Telephone Companies
Washington, D. C.

Sanford N. McDonnell
President
McDonnell Aircraft Corporation
St. Louis, Missouri

Donald A. McMahon
President
Monroe International
Orange, New Jersey

T. R. May
President
Lockheed-Georgia Company
Marietta, Georgia

Gordon M. Metcalf
Chairman of the Board
Sears, Roebuck and Company
Chicago, Illinois

Horace A. Shepard
President
TRW Inc.
Cleveland, Ohio

Alfred J. Stokely
President
Stokely-Van Camp, Incorporated
Indianapolis, Indiana

Robert M. Wachob
President
The Bell Telephone Company of Pennsylvania
Philadelphia, Pennsylvania

T. A. Wilson
President
The Boeing Company
Seattle, Washington

Industry Members

William R. Adams
President
St. Regis Paper Company
New York, New York

J. L. Atwood
President
North American Rockwell Corporation
El Segundo, California

Thomas G. Ayers
President
Commonwealth Edison Company
Chicago, Illinois

Harry O. Bercher
Chairman of the Board
International Hervester Company
Chicago, Illinois

Charles G. Bluhdorn
Chairman of the Board
Gulf & Western Industries, Inc.
New York, New York

John W. Brooks
President
Celanese Corporation
New York, New York

Hugh G. Chatham
President
Chatham Manufacturing Company
Elkin, North Carolina

Michael Daroff
President and Chairman of the Board
Botany Industries, Inc.
New York, New York

Edward S. Donnell
President
Montgomery Ward & Company, Inc.
Chicago, Illinois

B. R. Dorsey
President
Gulf Oil Corporation
Pittsburgh, Pennsylvania

Henry W. Gadsen
President
Merck & Company, Inc.
Rahway, New Jersey

Ben S. Gilmer
President
American Telephone & Telegraph Co.
New York, New York

Edwin H. Gott
Chairman, Board of Directors
U. S. Steel Corporation
Pittsburgh, Pennsylvania

Harold E. Gray
Chairman of the Board
Pan American World Airways, Inc.
New York, New York

Herbert E. Harper
President
Public Service Coordinated Transport
Maplewood, New Jersey

William J. Kane
President
The Great Atlantic & Pacific Tea Company, Inc.
New York, New York

T. Vincent Learson
President
International Business Machines Corporation
Armonk, New York

Roger Lewis
President
General Dynamics Corporation
New York, New York

E. L. Ludvigsen
Chairman of the Executive Committee
Eaton Yale & Towne, Inc.
Cleveland, Ohio

Frederick C. Maynard, Jr.
Senior Vice President
The Travelers Insurance Companies
Hartford, Connecticut

Michael R. McEvoy
President
Sea-Land Service, Inc.
Elizabeth, New Jersey

Louis W. Menk
President
Northern Pacific Railway Company
St. Paul, Minnesota

William H. Moore
Chairman of the Board
Bankers Trust Company
New York, New York

William Wood Prince
Past Chairman of the Board
Armour & Company
Chicago, Illinois

T. J. Ready, Jr.
President
Kaiser Aluminum & Chemical Corp.
Oakland, California

Honorable Raymond P. Shafer
Governor of Commonwealth of Pennsylvania
Harrisburg, Pennsylvania

George R. Vila
Chairman and President
Uniroyal, Inc.
New York, New York

Robert G. Wingerter
President
Libbey-Owens-Ford Company
Toledo, Ohio

FORMER CHAIRMEN

1968
William P. Gwinn
Chairman
United Aircraft Corporation
East Hartford, Connecticut

1967
Daniel J. Haughton
Chairman of the Board
Lockheed Aircraft Corporation
Burbank, California

1966
Lynn A. Townsend
Chairman of the Board
Chrysler Corporation
Detroit, Michigan

1965
Dr. Elmer W. Engstrom
Chairman of the Executive Committee
RCA Corporation
New York, New York

1964
Frank R. Milliken
President
Kennecott Copper Corporation
New York, New York

1963
Harold S. Geneen
Chairman and President
International Telephone and Telegraph Corporation
New York, New York

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TREASURY DEPARTMENT

WASHINGTON, D.C.

January 9, 1970

FOR IMMEDIATE RELEASE

TREASURY ANNOUNCES MONETIZATION OF GOLD AND SPECIAL DRAWING RIGHTS

The Treasury confirmed today that it had recently bought $500 million in gold from the Federal Republic of Germany. This transaction, which was announced by Germany, and purchases from other countries in recent months have resulted in a considerable drain on the cash resources available to the Exchange Stabilization Fund and have required some temporary sales of foreign exchange holdings to the Federal Reserve.

To reverse this cash drain and permit the Exchange Stabilization Fund to reacquire the foreign exchange from the Federal Reserve, the Exchange Stabilization Fund, on January 8, sold $1 billion of gold to the Treasury. The Treasury in turn monetized this gold through the issuance of gold certificates to the Federal Reserve System.

At the same time, the Exchange Stabilization Fund also monetized $200 million of the $867 million of Special Drawing Rights distributed on January 1, 1970, through issuance of SDR certificates to the Federal Reserve. Additional amounts of SDR may be monetized in subsequent months to maintain a margin of available funds for exchange stabilization operations.

The additional gold certificates and first issuance of SDR certificates will be reflected in the Federal Reserve Statement of Condition for the week ended January 14, 1970. These transactions among the Exchange Stabilization Fund, the Treasury, and the Federal Reserve System have been arranged in a manner to avoid an impact on member bank reserves.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

OR RELEASE 6:30 P.M.,
onday, January 12, 1970.

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 October 16, 1969, and the other series to be dated January 15, 1970, which were offered on January 7, 1970, were opened at the Federal Reserve Banks today. Tenders were invited for $1,800,000,000, or thereabouts, of 91-day bills and for $1,200,000,000, 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 April 16, 1970		182-day Treasury bills maturing July 16, 1970	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	98.029 a/	7.797%	96.076 b/	7.762%
Low	98.009	7.876%	96.064	7.785%
Average	98.019	7.837% 1/	96.065	7.784% 1/

a/ Excepting 1 tender of $2,552,000; b/Excepting 1 tender of $20,000
7% of the amount of 91-day bills bid for at the low price was accepted
81% of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 36,402,000	$ 35,922,000	$ 22,999,000	$ 15,169,000
New York	1,975,299,000	1,005,740,000	2,277,283,000	719,147,000
Philadelphia	48,613,000	43,483,000	32,085,000	21,530,000
Cleveland	57,797,000	57,174,000	99,093,000	91.062,000
Richmond	42,588,000	32,588,000	38,915,000	33,914,000
Atlanta	57,962,000	46,044,000	72,020,000	43,431,000
Chicago	237,670,000	225,020,000	241,275,000	54,804,000
St. Louis	65,310,000	58,055,000	65,760,000	37,957,000
Minneapolis	32,286,000	26,286,000	30,304,000	15,704,000
Kansas City	51,023,000	51,002,000	61,426,000	55,767,000
Dallas	42,067,000	32,136,000	57,017,000	42,378,000
San Francisco	227,022,000	186,695,000	198,284,000	71,682,000
TOTALS	$2,874,039,000	$1,800,145,000 c/	$3,156,461,000	$1,202,583,000 d/

/ Includes $565,475,000 noncompetitive tenders accepted at the average price of 98.019
/ Includes $590,551,000 noncompetitive tenders accepted at the average price of 96.065
/ These rates are on a bank discount basis. The equivalent coupon issue yields are 8.11% for the 91-day bills, and 8.21% for the 182-day bills.

UNITED STATES SAVINGS BONDS ISSUED AND REDEEMED THROUGH December 31, 1969

(Dollar amounts in millions – rounded and will not necessarily add to totals)

DESCRIPTION	AMOUNT ISSUED 1/	AMOUNT REDEEMED 1/	AMOUNT OUTSTANDING 2/	% OUTSTANDING OF AMOUNT ISSUED
TURED				
Series A-1935 thru D-1941	5,003	4,997	6	.12
Series F and G-1941 thru 1952	29,521	29,485	36	.12
Series J and K-1952 thru 1957	3,754	3,732	22	.59
MATURED				
Series E 3/ :				
1941	1,887	1,674	214	11.34
1942	8,327	7,399	928	11.14
1943	13,398	11,936	1,461	10.90
1944	15,632	13,840	1,792	11.46
1945	12,292	10,711	1,581	12.86
1946	5,578	4,687	891	15.97
1947	5,295	4,298	997	18.83
1948	5,479	4,360	1,119	20.42
1949	5,414	4,229	1,185	21.89
1950	4,733	3,641	1,092	23.07
1951	4,094	3,153	941	22.98
1952	4,287	3,279	1,008	23.51
1953	4,901	3,661	1,240	25.30
1954	4,995	3,664	1,331	26.65
1955	5,204	3,763	1,442	27.71
1956	5,028	3,592	1,436	28.56
1957	4,735	3,322	1,413	29.84
1958	4,619	3,117	1,502	32.52
1959	4,328	2,856	1,472	34.01
1960	4,339	2,747	1,592	36.69
1961	4,399	2,634	1,764	40.10
1962	4,257	2,439	1,818	42.71
1963	4,729	2,547	2,182	46.14
1964	4,610	2,494	2,116	45.90
1965	4,508	2,423	2,085	46.25
1966	4,854	2,430	2,424	49.94
1967	4,804	2,301	2,503	52.10
1968	4,558	1,956	2,601	57.06
1969	3,125	799	2,326	74.43
Unclassified	613	812	-199	-
Total Series E	165,022	120,763	44,259	26.82
ries H (1952 thru May, 1959) 3/	5,485	3,513	1,972	35.95
H (June, 1959 thru 1969)	7,228	1,909	5,319	73.59
Total Series H	12,712	5,422	7,290	57.35
Total Series E and H	177,734	126,185	51,549	29.00
l Series – Total matured	38,277	38,213	64	.17
l Series – Total unmatured	177,734	126,185	51,549	29.00
l Series – Grand Total	216,012	164,398	51,613	23.89

es accrued discount.
it redemption value.
ion of owner bonds may be held and will earn interest for additional periods after original maturity dates.

TREASURY DEPARTMENT

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WASHINGTON, D.C.

January 13, 1970

FOR IMMEDIATE RELEASE

UNITED STATES AND NEW ZEALAND TO DISCUSS
REVISION OF INCOME TAX TREATY

Representatives of the United States and New Zealand are expected to meet in late February to discuss revision of the income tax convention between the two countries, the Treasury announced today. The meetings are scheduled to take place in Wellington, New Zealand.

The existing tax treaty with New Zealand has been in force since 1951. The negotiations are expected to deal with a number of specific problems which have evolved from the tax law changes which have taken place since 1951, and from changes in economic relations between New Zealand and the United States. Among the items likely to be discussed will be the tax rules to be applied by one country to corporations and residents of the other who derive interest income, income from activities on the continental shelf, and income from a permanent establishment in the other country.

It is also expected that the "Draft Double Taxation Convention", published in 1963 by the Fiscal Committee of the Organization for Economic Cooperation and Development (OECD), will be considered in the course of the negotiations, along with recent United States treaties with other industrial countries, such as the treaty with France which went into force in August, 1968.

Persons having comments or suggestions to make concerning the income tax treaty between the United States and New Zealand should submit their views by February 2, 1970, to Assistant Secretary of the Treasury Edwin S. Cohen, United States Treasury Department, Washington, D. C. 20220.

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TREASURY DEPARTMENT

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WASHINGTON, D.C.

FOR IMMEDIATE RELEASE

January 14, 1970

U. S. INDUSTRIAL PAYROLL SAVINGS COMMITTEE MEETS TO PROGRAM NEW-SAVER GOAL OF TWO MILLION IN 1970

The U. S. Industrial Payroll Savings Committee, headed by James M. Roche, Chairman of the Board, General Motors Corp., Detroit, met today with Treasury Secretary David M. Kennedy to report on 1969 accomplishments and to initiate 1970 campaign plans to sign up two million industrial employees as new Payroll Savers or as savers who increase their allotments for the purchase of U. S. Savings Bonds. The meeting was in the Diplomatic Functions Suite of the State Department on the eighth floor, beginning at 2:00 pm.

Members of the Committee are the chief executives of leading corporations throughout the nation. It was first organized in late 1962 by then Secretary of the Treasury Douglas Dillon, as a means of increasing sales of Savings Bonds to aid the management of the national debt.

The mission of the Committee is to stimulate the regular purchase of Savings Bonds by the industrial employees of America, using the guaranteed method of the Payroll Savings Plan; also to increase the number of employees who utilize the program to gain greater personal and family security.

The 1970 Committee has 53 members. Included are representatives of 22 geographic areas and 23 major industries. Its Chairman, who will succeed Mr. Roche at the meeting, is Gordon M. Metcalf, Chairman of the Board, Sears, Roebuck and Co. In accepting his appointment, he said, "The Payroll Savings Plan is the best self-defense against inflation. It is invaluable in helping the employee to develop a systematic savings program. With the new rate increase to 5 percent, retroactive to June 1, 1969, Savings Bonds are a better than ever purchase for the employee who wants to improve his stake in the future.

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For 25 of the group, it was their first Committee meeting. They were installed as members of the 1970 Committee, in official ceremonies during the meeting, receiving Certificates of Appointment signed by the Secretary of the Treasury.

In his opening remarks to the meeting, regarding the role of Savings Bonds in debt management, Under Secretary Paul Volcker noted that "Since its beginning in January 1963, the U. S. Industrial Payroll Savings Committee -- with the support of Organized Labor and the vast army of Savings Bonds volunteers -- has been the prime force in advancing the sound management of the debt through widespread Savings Bonds sales. The Committee, through its annual campaigns and through the highly successful drives the members have conducted in their own companies, has contributed to the American people having a reservoir of $52 billion in Savings Bonds and Freedom Shares. The annual sales of the small denomination E Bonds -- $25 to $200 -- customarily purchased by Payroll Savers, are today more than $1,000,000,000 higher than they were in 1962, the year before the Committee began its work. The Committee has proven a most effective force, benefitting the nation as well as the individual saver."

In his remarks, Chairman Roche reported that during the 1969 Drive his Committee signed up 2.3 million new or increased Savings Bond savers against a goal of 2.2 million.

"In a year that was not an easy one for the sale of Savings Bonds," he said, "this Committee exceeded its goal by 5%. It made 1969 the third best year in history for the number of new or increased sign-ups. It made 1969 the second best year for the dollar value -- $3.7 billion -- of Savings Bonds sold in the smaller ($25 to $200) denominations, the so-called payroll-saver bonds."

Concerning the work of the Committee Mr. Roche said, "America needs our efforts today. We have every reason to take great pride in our opportunity to sell an investment in America -- in its growth, its stability and its integrity. Let there be no question about it, this is what we are selling."

Commending the Committee on its 1969 accomplishments, Secretary Kennedy said, "During 1969, Jim Roche and the 57 members of his Committee organized Payroll Savings Drives in 23 major business centers and 28 basic industries. These campaigns also provided the pattern for community Payroll Savings efforts in 113 additional areas. Committee members also conducted drives in their own companies which served as an example and inspiration for their communities and industries.

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"In their own companies, Committee members signed up more than a half million new Payroll Savers and some 350,000 savers who increased their allotments -- for a total of more than 900,000. Approximately 250,000 of their employees also signed up for Freedom Shares."

In his message to the Committee and to leaders of industry throughout America, President Nixon said, "We have already made the interest paid on Savings Bonds more attractive. Only recently I signed into law a bill permitting us to raise the effective rate on Savings Bonds to five percent. And other fundamental steps to make investment in Bonds more appealing are in prospect; for it is a primary objective of this Administration to conduct fiscal and monetary policy in such a way that inflation will not further erode the savings of our people.

"Enrollment in a Payroll Savings Bond Program is a good individual and collective defense against the causes of inflation. Regular purchases contribute to the financial security of the individual and the family, as well as to the fiscal strength of the nation."

Secretary Kennedy presented awards to outgoing Chairman Roche and to the members of his Committee; the Treasury Gold Medal of Merit to the Chairman and Silver Medals of Merit to the members.

Secretary Kennedy's Citation to Mr. Roche reads, in part, " . . . Inspired by his enthusiasm and splendid example, American industry in 1969 substantially exceeded its goal of enrolling more than two million two hundred thousand savers in E Bonds and Freedom Shares through the Payroll Savings Plan. While these men and women benefit directly, our nation as a whole has been well served by his devoted efforts. His generous service is in the finest tradition of the volunteer spirit which symbolizes the Savings Bonds Program and gives strength and vitality to our American way of life."

George Meany, President, AFL-CIO, who has, over the years, led Organized Labor's staunch support of the Savings Bonds Program, and who has served with distinction as Chairman of the National Labor Committee for U. S. Savings Bonds, received a special award for his distinquished leadership.

Secretary Kennedy's Citation to President Meany reads, in part, " . . . Inspired by his zeal for their personal well-being and independence, American wage earners in record numbers have enrolled in the Payroll Savings Plan for U. S. Savings Bonds. In keeping with the spirit of the Labor movement, he has encouraged the nation's workers to build personal security by investing in their country. Both the Labor community and the nation as a whole have been enriched by his devoted service."

Past Chairmen of the Committee are as follow -- 1963, Harold S. Geneen, Chairman and President, International Telephone and Telegraph Corp.; 1964, Frank R. Milliken, President, Kennecott Copper Corp.; 1965, Dr. Elmer W. Engstrom, Chairman of the Executive Committee, RCA Corporation; 1966, Lynn A. Townsend, Chairman of the Board, Chrysler Corp.; 1967, Daniel J. Haughton, Chairman of the Board, Lockheed Aircraft Corp., and 1968, William P. Gwinn, Chairman, United Aircraft Corp.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

January 14, 1970

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 $ 3,000,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing January 22, 1970, in the amount of $ 2,900,192,000, as follows:

91-day bills (to maturity date) to be issued January 22, 1970, in the amount of $1,800,000,000, or thereabouts, representing an additional amount of bills dated October 23, 1969, and to mature April 23, 1970, originally issued in the amount of $ 1,200,393,000, the additional and original bills to be freely interchangeable.

182-day bills, for $ 1,200,000,000, or thereabouts, to be dated January 22, 1970, and to mature July 23, 1970.

The bills of both series will be issued on a discount basis under competitive and noncompetive 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, January 19, 1970. 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

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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. Only those submitting competitive 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 January 22, 1970, in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 22, 1970. 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.

TREASURY DEPARTMENT
Washington

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FOR RELEASE UPON DELIVERY

REMARKS BY THE HONORABLE DAVID M. KENNEDY
SECRETARY OF THE TREASURY
BEFORE
ANNUAL MEETING OF THE U. S. INDUSTRIAL
PAYROLL SAVINGS COMMITTEE
DIPLOMATIC FUNCTIONS SUITE
DEPARTMENT OF STATE
WEDNESDAY, JANUARY 14, 1970, 3:00 P.M., EST

It has been a great pleasure, as I said earlier, to pay honor today to Jim Roche for his outstanding leadership of the 1969 Industrial Payroll Savings campaign, to George Meany for his long and distinguished chairmanship of the Savings Bonds program in organized labor, and to the members of Mr. Roche's Committee for their devoted and patriotic service.

The Treasury and the nation are indebted to each of you for an important and inspiring contribution to our country's finances, to the battle we are waging against inflation, and to the economic future of all Americans.

Because of the effectiveness of your campaign last year, more than 2,300,000 persons signed up to purchase Savings Bonds or Freedom Shares or to increase the amounts they were already investing. You exceeded your goal by more than 100,000 employees, making 1969 another banner year for the Payroll Savings program.

Bonds and Freedom Shares bought primarily through Payroll Savings totaled about $3.7 billion in 1969. The American people now own more than $52 billion of Bonds and Freedom Shares, or nearly one-fourth of the publicly held portion of the Federal debt.

Last year's progress resulted -- as progress generally does -- from a great deal of hard, dedicated and enthusiastic work. Mr. Roche and his Committee organized Payroll Savings drives in 23 major business centers and 28 industries.

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Those campaigns also set a pattern for similar drives in more than 100 other communities. In addition, Committee members enrolled more than 900,000 employees in their own companies for new or increased savings.

The continued growth of the Payroll Savings program was one of the highlights of a busy and productive year for the Treasury. In several of the areas with which we are vitally concerned -- curbing inflation, building a more equitable tax structure, strengthening the world monetary system -- Treasury's efforts contributed to encouraging progress, especially in the last few months.

While progress in overcoming the inflation that has taken ever deeper roots in the economy since 1965 has not been as rapid as we had hoped, we now are clearly making headway as the policies of fiscal and monetary restraint are taking effect. The cooling of our over-heated economy should result in an easing of price pressures this year and a return to sound, sustainable growth.

Tax reform, culminating in the Tax Reform Act which President Nixon signed on December 30, also occupied much of Treasury's attention last year. In April, the Administration submitted a package of tax reform proposals to the Congress. Through the ensuing months, our tax staff worked almost daily with the Ways and Means and Finance Committees to develop a more equitable tax system. The reforms that were finally enacted included most of the President's major proposals.

On the other hand, as contrasted with the President's tax recommendations made to the Congress last April, the tax reductions in the bill will substantially reduce Treasury revenues next fiscal year. This, of course, makes all the more difficult the job of balancing the budget, slowing the rising cost of living and meeting the costs of essential services, many of which have uncontrollable, built-in increases.

While a major part of our energies in recent months has been devoted to inflation control and tax reform, we also have been active in many other important areas.

In the international field, considerable progress has been achieved in recent months. Close cooperation among nations has brought the monetary system through potentially stormy periods, and given it new strength for the future.

The creation and distribution of Special Drawing Rights in the International Monetary Fund has helped to assure a planned, orderly growth of world reserves. The agreement for the handling of South African gold gives new strength to the two-tier system. Changes in parity of the French franc and the West German mark were accomplished without serious monetary disturbances. Our strong anti-inflation effort, and the improvement in the economic position of the United Kingdom, have added further confidence in the system.

These developments, taken together, give promise of a period of calm for world exchange markets and continued steady growth of world trade and investment.

Touching briefly on some other highlights of Treasury's year, we obtained Congressional approval to increase the interest rate on Savings Bonds to 5 percent. This increase was sorely needed to provide a fairer return to the millions of Americans who regularly buy Bonds. I believe and hope that the higher interest rate will help Gordon Metcalf and the members of his 1970 Payroll Savings Committee reach the ambitious goal they have set for themselves.

We also have given our law enforcement activities a high priority. The experience last fall along the Mexican border on controlling the smuggling of marihuana and other drugs, demonstrated that Treasury, in cooperation with other Departments, can greatly reduce the flow of illegal drugs into the United States. Supplemental funds recently appropriated by the Congress at the request of the President will enable us to hire additional Customs personnel and intensify anti-smuggling activity, especially against heroin smuggling. We are supplying much of the manpower and know-how in the fight against organized crime. We are seeking curbs on the use of secret bank accounts abroad for illegal purposes.

In other significant activities, Treasury has:

-- Submitted to the Congress legislation embodying the President's proposal for sharing income tax revenues with State and local governments.

-- Obtained Congressional approval of the extension of the Interest Equalization Tax.

-- Worked closely with the international development banks to help meet the needs of the developing nations, and received favorable Congressional action on replenishment of the International Development Association funds.

-- Obtained Congressional approval of a necessary increase in the debt ceiling.

-- Asked Congress to approve an increase in the size of the White House police force and extension of its responsibilities to include protection of foreign embassies.

-- Submitted legislation providing for the first major modernization in 80 years of U. S. Customs Court procedures and Customs Bureau duty determination.

-- And submitted legislation providing for Federal regulation of one-bank holding companies.

As you can see, 1969 was a year of Treasury activity on many fronts, and a time in which we were able to resolve a number of urgent problems and make a needed and encouraging start on dealing with others.

I'd like to take just a minute here to recognize the outstanding performance of the Treasury staff during the last year. Many appointees and staff literally worked night and day, seven days a week for months on the tax bill and other measures. Their dedication is an inspiration to me and should be to you.

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The task before us now is to build on the progress achieved, and contribute to the fullest to the attainment of essential national objectives -- the continuation of responsible fiscal policies, the curbing of inflationary forces, the continued strengthening of the international monetary system.

By your generous and patriotic service in promoting the sale of Savings Bonds, the members of the Payroll Savings Committee will play a vital part in the attainment of each of those objectives. I am confident that Mr. Metcalf and the members of this year's Committee, like Mr. Roche and the 1969 Committee, will be eminently successful.

Thank you.

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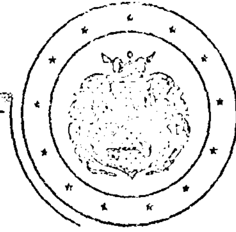
TREASURY DEPARTMENT



WASHINGTON, D.C.

January 15, 1970

FOR IMMEDIATE RELEASE

DECISION ON POLYPROPYLENE FILM
UNDER THE ANTIDUMPING ACT

The Treasury Department announced today that it has investigated charges of possible dumping of polypropylene film manufactured by Kohjin Co., Ltd., Tokyo, Japan.

A notice announcing a tentative determination that this merchandise is not being, nor likely to be, sold at less than fair value within the meaning of the Antidumping Act will be published in an early issue of the Federal Register.

During the period November 1, 1968, through November 30, 1969, polypropylene film valued at approximately $386,000 was imported into the United States from Japan.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

January 16, 1970

FOR IMMEDIATE RELEASE

MINT DIRECTOR HONORS TWO MINT OFFICIALS
WITH SPECIAL AWARD FOR UNUSUAL INVENTION

Two longtime career employees of the United States Mint, have been issued a patent for the new clad metal combinations now being used in the production of dimes, quarters, and half-dollars. The inventors have assigned the patent and all rights to the process to the United States Government.

Mrs. Mary Brooks, Director of the Mint, today presented a joint Special Achievement Award to Philip B. Neisser and Morris V. Boley, for their invention of the new composite materials. They will share a $5,000 cash award.

The development of this coin material by Messrs. Neisser and Boley, Technical Consultant and Assistant Technical Consultant to the Director of the Mint, was begun in the early 1960's, when the United States found it necessary to produce a substitute for the traditional silver coinage. The substitution of a silver-free alloy, or an alloy containing a smaller percentage of silver, presented complex problems. Any metal or alloy to be used in coins must possess certain mechanical, chemical and physical properties, as well as provide for the protection of the coinage system.

The coin material has outer layers of either copper-nickel or silver-copper alloys bonded directly to either a pure copper or silver-copper base, and is used for the production of the half-dollar, quarter and dime coins.

Mr. Neisser, a chemist and metallurgist, began his Government career with the Mint in Philadelphia in 1934 as a helper in the Assay Division. He advanced

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through the ranks and in 1942 was named Assistant Superintendent of the Melting and Refining Division. In 1951 he moved to the Bureau in Washington as Assistant Technical Consultant to the Director and in 1958 was promoted to his present position.

Mr. Boley, a chemist, also entered Government service in 1934 and came to the Bureau of the Mint's laboratory in 1939 as a scientific aide. In 1948 he transferred to the San Francisco Mint where he progressed to the position of Superintendent of Melting and Refining. In 1958 he returned to the Bureau in Washington as Assistant Technical Consultant to the Director. Mr. Boley will retire from Government service on January 31, 1970.

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TREASURY DEPARTMENT
Washington

FOR RELEASE ON DELIVERY
ABOUT 12 NOON, CST
TUESDAY, JANUARY 20, 1970

REMARKS BY BRUCE K. MacLAURY
DEPUTY UNDER SECRETARY OF THE TREASURY
FOR MONETARY AFFAIRS
BEFORE THE 1970 "SHARE-IN-AMERICA"
SAVINGS BONDS VOLUNTEER CONFERENCE
MILWAUKEE, WISCONSIN
TUESDAY, JANUARY 20, 1970

Chairman Groh, distinguished guests, ladies and gentlemen. It is a very real pleasure for me to be here in Milwaukee today and to have this opportunity to discuss with you some thoughts about our Savings Bonds Program at this Share-in-America Campaign Meeting for metropolitan Milwaukee and metropolitan Racine.

This is quite an assembly of Milwaukee/Racine/Madison business leadership. I am especially pleased to see here today -- Thomas G. Cook, President, Walker Manufacturing Co., Racine SIA Chairman; Charles K. Albrecht, President, DEC International, Inc., Madison SIA Chairman; and Oscar J. Mayer, Jr. (myer), Chairman of the Board, Oscar Mayer & Co., Milwaukee, the 1970 Chairman for the Food Manufacturing Industry.

As you know, last Wednesday, members of the U. S. Industrial Payroll Savings Committee met in Washington to discuss the results of its 1969 campaign and to formulate plans for the 1970 campaign.

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It was a highly successful meeting, and I should like to touch on a few of the highlights.

In reporting the results of the 1969 Committee, outgoing Chairman James M. Roche, Chairman of the Board, General Motors Corp., said, "In a year that was not an easy one for the sale of Savings Bonds, this Committee exceeded its goal by five percent. It made 1969 the third best year since World War Two for the number of new or increased sign-ups. It made 1969 the second best year for the dollar value -- $3.7 billion -- of Savings Bonds sold in the smaller ($25 to $200) denominations, the so-called payroll-saver Bonds."

The goal for 1970 is to sign up two million industrial employees as new Payroll Savers -- or as savers who increase their allotments for the purchase of U. S. Savings Bonds.

Gordon M. Metcalf, Chairman of the Board, Sears, Roebuck and Co., accepted his appointment as the incoming Committee Chairman for 1970, and got off to an enthusiastic start toward this year's challenging goal.

Secretary Kennedy and Under Secretary Volcker both pointed out the importance of the Savings Bonds Program to the sound management of the National debt and I should like to return

to this subject in a minute. Their remarks were underscored by President Nixon in his message to the Committee and to leaders of industry throughout America. President Nixon said, "We have already made the interest paid on Savings Bonds more attractive. Only recently I signed into law a bill permitting us to raise the effective rate on Savings Bonds to five percent. And other fundamental steps to make investment in Bonds more appealing are in prospect; for it is a primary objective of this Administration to conduct fiscal and monetary policy in such a way that inflation will not further erode the savings of our people.

"Enrollment in a Payroll Savings Bond Program is a good individual and collective defense against the causes of inflation. Regular purchases contribute to the financial security of the individual and the family, as well as to the fiscal strength of the nation."

We all know the value of Savings Bonds as a nest egg -- for emergencies, retirement, a new home, education for the children, a well earned vacation, and so on.

But many of us have a rather imprecise view of the value of Savings Bonds to our Government. We know they have something to do with fighting inflation; with managing the National debt. But we aren't quite sure how this is accomplished. And so I'd like to take a few minutes today to discuss briefly the character of the National debt -- and to relate the Savings Bonds Program to debt management.

To begin with, Savings Bonds are an important component of our entire Federal debt structure. Treasury debt totalled about $368 billion at the end of 1969. Of that total, about $89 billion was held by Government accounts, such as the Social Security Trust Fund, Civil Service Retirement Fund, Unemployment Trust Fund, and others. The Federal Reserve System held about $57 billion of Treasury debt which it had accumulated in the process of providing reserves to the banking system to support the orderly growth of the money supply. This left in the hands of the general public $222 billion of U. S. Treasury securities, about 60 percent of the total outstanding.

Of this $222 billion total, $162 billion is in the form of marketable securities, and a small additional amount ($8 billion) is in nonmarketable securities other than savings bonds. The balance -- $52 billion -- is made up of E and H Bonds and

Savings Notes (Freedom Shares). This $52 billion represents just under 25 percent of the $222 billion of Treasury obligations held by the general public.

But the importance of Savings Bonds in terms of managing the national debt is not fully reflected in this single fraction, significant though it is. The fact is that Savings Bonds today, even with their shorter initial maturities, constitute the backbone of the Government's long-term debt.

Because of the 4-1/4 percent interest rate ceiling on Government bonds that dates from the first World War, the Treasury has been prevented from issuing any securities of more than 7 years to maturity since 1965. Largely as a result, the average maturity of the privately held marketable debt has declined from 5 yrs. 9 mo. in 1965 to 3 yrs. 9 mo. at the end of 1969. This is hardly a satisfactory or reassuring picture, from at least two points of view.

First, as the average maturity of the debt declines, this debt increasingly takes on the characteristics of money -- it becomes more liquid, and hence more "spendable", even at times such as the present when in the interests of curbing inflation there is a need to hold down spending.

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Second, when the average maturity of the Government's debt is as short as it now is, the job of refinancing that debt can become one of considerable difficulty, not just for the debt managers such as myself who are paid to worry about such things, but much more importantly, for the capital markets in general, on which you depend as well as we. Even after eliminating Treasury bills, which come due as frequently as every ninety days, it is still the case that nearly $1 in $5 of the marketable securities held by the general public mature and must be refunded each year.

Against this background, it is not difficult to understand why we are concerned that we continue to be able to count on a solid base of funds provided to the Government in the form of Savings Bonds. On the basis of past experience, we can predict that the Savings Bonds sold today on the average will not be redeemed for 5-1/2 years, almost twice as long as dollars obtained through marketable issues.

This may sound strange when one hears so often that Savings Bonds are cashed in practically as soon as they are bought. It is true that there are those who turn them in after the minimum waiting period, and early redemptions are a

problem. But, by and large, our buyers hold onto their Savings Bonds. Every analysis we have made shows that in comparison with deposits at commercial banks, savings and loan associations, and mutual savings banks, people hold their Savings Bonds.

Let me mention one other fact bearing upon the importance of Savings Bonds to the Government that may surprise you as it did me: over the past 25 years, increased holdings of Savings Bonds represent a substantial part of the total increase in the amount of Federal debt in the hands of the general public. So that you are not misled by this statement, let me hasten to say that this is so not because the net increase in Savings Bonds has been so large, nor because the budget deficits you have read about never really occurred, but rather because the trust funds and the Federal Reserve, through their normal operations, have absorbed a large part of the net increase in the Government's marketable debt. Nevertheless, it is significant that Savings Bonds and Notes provided $2.3 billion of the $6.5 billion net increase since 1946 in the total amount of Government debt held by the general public at the end of fiscal 1969.

If Savings Bonds continue to be important to the Government -- and these remarks indicate why I think that that is the case -- then the Government has a responsibility to see to it that

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those who buy Savings Bonds are given a fair return on their investment. Exactly what constitutes a fair rate of return, of course, is a matter on which reasonable men may differ. But there was no disagreement that the 4-1/4 percent rate that applied during the early months of last year had lost touch with reality. Had it been possible for the Administration to increase the rate through discretionary action, that action would have been much faster in coming. But the same law that continues to limit to 4-1/4 percent the rate the Treasury may pay on marketable bonds applied to Savings Bonds as well. Thus Secretary Kennedy, as early as July of last year, proposed that this anachronistic ceiling be removed. But with first the House Ways and Means Committee, and then the Senate Finance Committee, preoccupied with another sort of equity -- equity in the tax field -- the buyer of Savings Bonds had to wait until December to be sure that the new rate proposed by the Secretary -- 5 percent -- would actually take effect as of June 1 as promised.

That uncertainty is now behind us. With the new yield to maturity of five percent, Savings Bonds are again reasonably competitive with the types of investment alternatives that are most comparable. I do not believe that we need to apologize for the fact that Savings Bonds do not carry a return related

to marketable securities which at the moment is at historically high levels. After all, they provide a convenient method of saving for the small saver that is not available to him in marketable instruments; they bear none of the risks associated with such investments, and in general are designed to provide a fair and stable return over the longer run. Moreover, even if one were inclined to vary the rate on Savings Bonds in conjunction with movements in market rates -- down, I might say, as well as up -- as a practical matter, it would be highly disruptive and not in the national interest to pay a market rate at the moment, given the inability of a major segment of savings institutions to meet this sort of competition. It is not the intent of the Government to pull savings out of such financial institutions into Savings Bonds, but simply to provide a rate of return that does not discriminate against the purchasers of Savings Bonds and provides you with a product that you can sell in good conscience. I think we now have that product.

But if the Government has a responsibility to the Savings Bond purchaser to provide a fair rate of return, it has an even greater responsibility to do all it can to see that the value of the dollars it pays back to him at the time of

encashment have not been eroded by inflation. Obviously, this is a matter that goes far beyond the question of Savings Bonds alone. It bears on the whole question of financial stability and the ability of major segments of our economy to continue to finance themselves on the basis of fixed income liabilities. There is a danger, too serious to be ignored, that the Federal Government, State and local governments, and homeowners -- i.e., those who are not in a position to provide equity participations or other hedges against inflation -- are likely to lose out progressively for the investor's dollar unless inflation itself is curbed decisively. President Nixon has described inflation as the most unjust tax of all, and has made the restoration of stable prices his first domestic priority. The relevance of this fight in terms of Savings Bonds is clear, and it is thus encouraging that the signs of restraint in excessive economic activity are becoming clearer every day.

From the beginning of the Savings Bond program, the industry-oriented Payroll Savings Plan has been the backbone of the program. Today, more than 40,000 companies, large and small, operate the plan and the Savings Bonds purchased by their employees account for over two-thirds of total sales.

Thus, the U. S. Industrial Payroll Savings Committee -- ith the support of organized labor and the vast army of avings Bonds volunteers -- has accomplished a formidable task n promoting the sales of E Bonds. The 1969 Committee has xceeded its goal, and sales were 40 percent higher than in 1962, the year before the Committee began its campaign. The incoming 1970 Committee has taken on a similar challenge. We are confident that it, too, will not only meet but exceed its goal.

Those of you who are spearheading our 1970 campaign are selling a product that is tried and true -- one that is good for the Nation and good for each of us as individuals.

Good luck.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

OR RELEASE 6:30 P.M.,
onday, January 19, 1970.

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 October 23, 1969, and he other series to be dated January 22, 1970, which were offered on January 14, 1970, ere opened at the Federal Reserve Banks today. Tenders were invited for $1,800,000,000, r thereabouts, of 91-day bills and for $1,200,000,000, or thereabouts, of 182-day ills. The details of the two series are as follows:

ANGE OF ACCEPTED OMPETITIVE BIDS:	91-day Treasury bills maturing April 23, 1970		:	182-day Treasury bills maturing July 23, 1970	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	98.041	7.750%	:	96.158 a/	7.600%
Low	98.027	7.805%	:	96.120	7.675%
Average	98.031	7.789% 1/	:	96.126	7.663% 1/

a/ Excepting 1 tender of $10,000
54% of the amount of 91-day bills bid for at the low price was accepted
60% 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	$ 42,053,000	$ 28,890,000	:	$ 21,315,000	$ 14,737,000
New York	2,259,587,000	1,164,625,000	:	1,775,397,000	707,388,000
Philadelphia	45,445,000	30,195,000	:	30,573,000	20,170,000
Cleveland	57,806,000	53,608,000	:	82,699,000	72,249,000
Richmond	27,533,000	27,532,000	:	49,239,000	35,795,000
Atlanta	72,722,000	38,113,000	:	56,132,000	37,132,000
Chicago	285,542,000	221,974,000	:	188,438,000	120,287,000
St. Louis	60,845,000	42,620,000	:	45,327,000	40,927,000
Minneapolis	29,460,000	14,000,000	:	25,307,000	11,324,000
Kansas City	48,215,000	42,074,000	:	47,283,000	43,232,000
Dallas	37,205,000	23,205,000	:	39,658,000	26,158,000
San Francisco	191,608,000	113,348,000	:	167,540,000	71,386,000
TOTALS	$3,158,021,000	$1,800,184,000 b/		$2,528,908,000	$1,200,785,000 c/

Includes $536,906,000 noncompetitive tenders accepted at the average price of 98.031
Includes $440,181,000 noncompetitive tenders accepted at the average price of 96.126
These rates are on a bank discount basis. The equivalent coupon issue yields are 8.06% for the 91-day bills, and 8.08 % for the 182-day bills.

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TREASURY DEPARTMENT

WASHINGTON, D.C.
January 21, 1970

FOR IMMEDIATE RELEASE

UNITED STATES AND NORWAY TO DISCUSS REVISION
OF INCOME TAX CONVENTION

The Treasury announced today that representatives of the United States and Norway are expected to meet in Washington in March to discuss revision of the income tax convention between the two countries.

The existing convention was signed in 1949. A supplemental convention signed in 1958 added an article providing for the taxation of dividend income. The forthcoming negotiations will be the occasion for a general review of the existing convention, taking into account the "Draft Double Taxation Convention" published in 1963 by the Fiscal Committee of the Organization for Economic Cooperation and Development (OECD) and recent conventions concluded by the two countries with other industrial nations, such as the convention between the United States and France which entered into force in August, 1968. Among the provisions to be discussed will be the rules governing the taxation by either country of income derived by residents of the other country from investment, personal services, activities on the continental shelf, and permanent establishments.

Anyone wishing to offer comments or suggestions concerning the income tax convention between the United States and Norway is requested to submit his views to Assistant Secretary of the Treasury Edwin S. Cohen, United States Treasury Department, Washington, D.C., 20220 by February 27, 1970.

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'REASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE January 21, 1970

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 $3,000,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing January 29,1970, in the amount of $2,900,641,000, as follows:

91-day bills (to maturity date) to be issued January 29, 1970, in the amount of $1,800,000,000, or thereabouts, representing an additional amount of bills dated April 30, 1969, and to mature April 30, 1970, originally issued in the amount of $1,000,634,000,(additional amounts of $500,151,000 and $1,200,988,000 were issued July 31, 1969, and October 30, 1969, respectively), the additional and original bills to be freely interchangeable.

182 -day bills, for $1,200,000,000, or thereabouts, to be lated January 29, 1970, and to mature July 30, 1970.

The bills of both series will be issued on a discount basis under :ompetitive and noncompetive bidding as hereinafter provided, and at ıaturity their face amount will be payable without interest. They vill be issued in bearer form only, and in denominations of $1,000, 55,000, $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 Standard :ime, Monday, January 26, 1970. 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, vith 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

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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. Only those submitting competitive 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 January 29, 1970, in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 29, 1970. 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.
January 21, 1970

FOR IMMEDIATE RELEASE

TREASURY'S MONTHLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $ 1,500,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing January 31, 1970, in the amount of $ 1,500,666,000, as follows:

271-day bills (to maturity date) to be issued February 2, 1970, in the amount of $500,000,000, or thereabouts, representing an additional amount of bills dated October 31, 1969, and to mature October 31, 1970, originally issued in the amount of $ 1,002,537,000, the additional and original bills to be freely interchangeable.

365-day bills, for $ 1,000,000,000, or thereabouts, to be dated January 31, 1970, and to mature January 31, 1971.

The bills of both series will be issued on a discount basis under competitive and noncompetive 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, Tuesday, January 27, 1970. 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 the one-year 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

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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. Only those submitting competitive 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 February 2, 1970, in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 29,1970. 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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STATEMENT OF EUGENE T. ROSSIDES
ASSISTANT SECRETARY OF THE TREASURY
BEFORE
SUBCOMMITTEE NO. 3
OF THE
HOUSE JUDICIARY COMMITTEE
ON S. 2624
January 22, 1970 10 a.m.

Mr. Chairman and Members of the Subcommittee:

I am Eugene T. Rossides, Assistant Secretary of the Treasury for Enforcement and Operations. My duties include supervision of the activities of the Bureau of Customs.

I appreciate the opportunity to appear before your Committee to present the Treasury's unequivocal support for the enactment of S. 2624 "To improve the judicial machinery in customs courts by amending the

statutory provisions relating to judicial actions and administrative proceedings in customs matters, and for other purposes", as passed by the Senate on December 9, 1969.

The original bill was prepared by the Treasury and Justice Departments, working in the closest kind of joint effort. Continuing discussions which extended over many months with all the interested groups--the United States Customs Court, the bar, importers, Government agencies and, of course, the Federal Judicial Center--resulted in July, 1969 in the introduction of identical bills in both the House (H.R. 12691, H.R. 12857 and H.R. 12921) and the Senate (S. 2624).

But, in a larger sense, these bills are a tribute to the efforts of Mr. Justice Clark and the Federal Judicial Center and Judge Rao and the Customs Court. Their support and efforts have been crucial. I would also like to add that Judge Rao and his colleagues on the Customs Court have done an outstanding job working under an archaic statute.

The bills provide that:

first, archaic statutory procedures for determining duty liability will be replaced by modern methods;

second, fewer cases will need to come to the court; and,

third, those that do can be handled more efficiently and expeditiously. The Subcommittee on Improvements in

Judicial Machinery of the Senate Judiciary Committee held extensive hearings on the bill on August 4 and 5 and September 8, 1969. Testimony was taken from representatives of the Federal Judicial Center, the Customs Court, the Departments of Treasury and Justice, the Association of the Customs Bar, the American Bar Association, the American Importers Association, the Commerce and Industry Association and numerous local and regional trade associations and organizations of importers and customs brokers. Subsequently, the Judicial Conference endorsed the bill.

On the basis of this testimony, and after full consideration of comments directed against various

provisions of the bill, the Subcommittee recommended that the bill with 18 amendments--many of them technical--do pass. The Departments of Treasury and Justice believe the bill, as amended in the Senate, meets the major objections raised in the hearings and is an improved vehicle for modernizing customs procedures in the Bureau of Customs and the Customs Court. The bill was passed by the Senate on December 9. We urge its favorable consideration by this Committee.

Now, I wish to place this proposal in perspective. It is a "trade neutral" bill. The bill's purpose is confined to revising the administrative procedures under which duty liabilities are determined and to modernizing the judicial procedures in the

United States Customs Court and Court of Customs and Patent Appeals. It does not affect rates of duty nor the substantive provisions of law relating to the basis of duty assessment, such as the statute governing the determination of value of imported merchandise. In other words, it is not intended to have any commercial or financial impact on our international trade, favorable or unfavorable. It has been deliberately drafted to be "trade neutral".

We believe that this bill will enable the Treasury's Bureau of Customs, the Department of Justice and the customs courts to deal with the ever-escalating volume of import transactions far more efficiently and effectively than they have been able to in the past.

To give this Committee an idea of how the volume of customs collections and transactions has been rising, even in the last five years--in fiscal year 1964 the Customs Service collected over $1.8 billion and processed 1.7 million formal entries; in fiscal year 1969, however, Customs collected over $3-1/4 billion and processed over 2-1/2 million formal entries. Each year Customs handles hundreds of millions of other types of transactions. For example, each of the more than 200 million persons who arrived in the United States in 1968 had to clear customs. I present figures only for the formal entries because typically they cover commercial importations and, therefore, are the source of nearly all the litigation in the customs courts.

Under Reorganization Plan No. 1 of 1965, the Bureau of Customs took a giant step into the 20th century

by redesigning the Customs administrative organization to meet the demands of expanding international trade and travel. Major goals achieved under that plan were the elimination of all Presidentially-appointed customs officials at the local level and the consolidation, primarily under career district directors, of the separate organizational units for which those former Presidential appointees were responsible. The primary authority and responsibility for supervising the administrative and operating field activities of these district directors were placed in nine regional commissioners of customs, who report directly to the Commissioner of Customs.

The Treasury Department, the Bureau of Customs, and the Justice Department now seek to complete the procedural phase of the reorganization process begun in 1965 by revising the outmoded statutory procedural

requirements. We believe that the bill does so in a way which balances the interest of the Government, the importing community and the domestic producers.

Before briefly describing the highlights of the bill, an outline of the history of the procedures for determining the value of imported goods is relevant and would be of interest to your Committee.

In the earliest days, Customs valuations of goods were not open to judicial review. The first Congress, in 1789, provided that collectors of customs would accept value stated on original invoices as the basis for assessment of duty. If original invoices were not produced, the collector would appoint a merchant appraiser familiar with the goods, the importer would

also appoint a merchant and the two, under oath, would make the appraisement.

In 1823, the President was authorized to appoint United States Appraisers for certain ports and at other ports Collectors appointed "responsible resident merchants" to be appraisers. If an importer was dissatisfied with the Government's appraisal, he could employ, at his own expense, two "responsible resident merchants" who, together with the government appraisers, would determine the value. Appeals could be taken to the Secretary of the Treasury but his decision was final. During this period, an importer could obtain judicial review of duty assessments by bringing an action in federal court for a refund of

duty paid and the court would decide whether the collector of customs had assessed the proper rate of duty. However, the court could not inquire into the merits of the value on which the duty was assessed.

Various changes were made in this system during the 19th century but it was not until 1890, when the Board of General Appraisers was created to review decisions of the Bureau of Customs, that a system of quasi-judicial review of value determinations was established. Nine general appraisers, three of whom sat as a Board, were appointed by the President with the consent of the Senate. The Board's decisions relating

to duty assessments, including classification as well as value, were reviewable by the circuit courts of appeal.

The specialized Court of Customs Appeals was created in 1909 to have exclusive jurisdiction over decisions of the Board of General Appraisers. The court became the Court of Customs and Patent Appeals in 1929.

In 1926, the United States Customs Court was established replacing the Board of General Appraisers. However, the change was largely one of name. The limitations and restrictions imposed on the Board by the statute were retained for the Court.

Thus, it is almost 80 years since the existing system of administrative determinations of

duty liability coupled with judicial review saw its beginnings. We believe that the time has come to revamp and modernize the system.

Before turning to a description of the changes that we propose to bring the present procedures in the Bureau of Customs up to date, let me describe briefly the present procedures leading to judicial review.

Under Reorganization Plan No. 1 of 1965, the appraisement and classification functions were consolidated under the supervision of local district directors. Essentially, the purpose of appraisement is to determine the value of merchandise against which the statutory rate of duty is to be applied. The purpose of classification is to determine the dutiable category

under the law into which the merchandise falls.

Notwithstanding this administrative amalgamation of the two functions, the applicable statute still requires separate procedures for the appraisement and classification of imported merchandise. The importer is entitled to separate judicial review of the appraisement determination and if this is undertaken, other processes relating to the assessing of duties must be halted while the appeal is pending in court. The classification of the merchandise and completion of other administrative processing necessary to "liquidate" the entry (procedures involving the fixing of the duties due, the assessment of any additional duties due or the refunding of any overpayments of duty tentatively estimated and

paid when the merchandise is initially landed) must await the final court decision on the appeal for reappraisement.

When the process is resumed, after the judicial review of the appraisement determination has been completed, and the entry is liquidated, the importer is entitled to administrative as well as a new judicial review of the liquidation. Thus, the final determination of the duty actually owed to the Government, or refund due the importer, may be delayed for years.

Moreover, under present law, which, as we have seen, was enacted substantially in the 19th century, appeals from initial Customs' administrative appraisements are automatically referred to the Customs

Court without opportunity for any administrative review of the appraisement. On the other hand, the present law provides that when an entry is liquidated and the importer files a "protest" against the liquidation, Customs shall review all aspects of the liquidation which are challenged in the protest. If the protest is denied, however, the matter is automatically referred to the Customs Court. No further or separate action is needed to invoke the Court's jurisdiction.

These automatic referrals demean the dignity and status of the Customs Court as a constitutional court. In addition, the procedures do not permit the importer the conscious choice normally exercised by allegedly aggrieved parties of deciding, after administrative review,

whether or not to litigate. In some cases, the importer might be quite content to accept the Customs position after the original decision has been reviewed and affirmed at the administrative level.

This automatic and indiscriminate judicial review procedure, at a time when the volume of international trade is rising, has resulted in a tremendous increase in court workload. It has also caused manpower and storage facilities at the Customs administrative level to be wastefully utilized in transmitting records to the court and maintaining open files on numerous cases which experience has demonstrated will be abandoned by the importer or settled through stipulated agreement between the Government and the importer.

S. 2624 provides for a single customs administrative procedure for the determination of the duty liability of imported merchandise. All decisions, including appraisement and classification, which are necessary to the final duty determination and entry "liquidation", will be combined in a consolidated administrative process and subject to administrative review in a single proceeding. In addition, the bill authorizes administrative reconsideration of the appraisement decision, thereby eliminating the archaic situation under existing law which compels a district director to appeal his own appraisement decision to the Customs Court to correct an admitted appraisement error discovered after the entry has been officially appraised!

The bill gives to importers a 90-day period from the date of liquidation in which to protest any administrative determination, and permits the importer and Customs to take up to 2 years to resolve their differences at the review level before the importer must resort to judicial review. The extended time periods in which the importer may file his protest and the Government may review it will help to eliminate the protest filed merely as a protective measure and will insure that each protest receives the administrative consideration it deserves. Furthermore, an amendment made by the Senate requires that the Secretary of the Treasury shall provide by regulations, in appropriate circumstances, for a further review of protests by a

customs officer other than the officer who made the original liquidation.

A further Senate amendment requires affirmative action by reviewing customs officers to dispose of a protest within the 2-year period allowed for its review, and to mail a notice of the action taken to the protesting party. An importer or other protesting party who believes that he cannot obtain satisfactory action upon his claim at the administrative level will be able, under the bill, to accelerate the disposition of his protest at his own request any time after 90 days from the date the protest is filed. While we anticipate that the vast majority of protests will have been reviewed within 90 days after they were filed, this provision

affords the importer a legal tool which can effectively force action on his protest well short of the two-year maximum, thus safeguarding his right to invoke the court's jurisdiction at an earlier date.

Finally, the bill provides that decisions made in disposing of a protest become final and conclusive unless the protesting party affirmatively initiates an action in the Customs Court by filing a summons within 6 months following the denial of a protest.

The Treasury Department believes that the bill as passed by the Senate will provide significant benefits to importers and all other segments of the public and will permit the Bureau of Customs to perform its important role more effectively and efficiently in the future at our gateways of international trade.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE 6:30 P.M.,
Monday, January 26, 1970.

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 30, 1969, and the other series to be dated January 29, 1970, which were offered on January 21, 1970, were opened at the Federal Reserve Banks today. Tenders were invited for $1,800,000,000, or thereabouts, of 91-day bills and for $1,200,000,000, 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 April 30, 1970		182-day Treasury bills maturing July 30, 1970	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	98.018 a/	7.841%	96.090 b/	7.734%
Low	97.998	7.920%	96.061	7.791%
Average	98.006	7.888% 1/	96.069	7.776% 1/

a/ Excepting 2 tenders totaling $25,000; b/ Excepting 2 tenders totaling $304,000
64% of the amount of 91-day bills bid for at the low price was accepted
80% of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 38,345,000	$ 38,345,000	$ 23,848,000	$ 23,598,000
New York	1,982,999,000	1,114,919,000	1,565,262,000	696,052,000
Philadelphia	48,953,000	38,873,000	24,828,000	14,828,000
Cleveland	54,006,000	54,006,000	71,587,000	61,762,000
Richmond	24,526,000	24,026,000	20,031,000	18,031,000
Atlanta	56,040,000	50,320,000	42,960,000	32,160,000
Chicago	238,113,000	222,113,000	239,373,000	173,368,000
St. Louis	62,741,000	55,633,000	37,442,000	28,142,000
Minneapolis	24,319,000	19,069,000	19,617,000	11,117,000
Kansas City	48,415,000	48,415,000	37,893,000	37,758,000
Dallas	34,834,000	24,834,000	36,478,000	24,478,000
San Francisco	160,684,000	109,540,000	144,399,000	78,897,000
TOTALS	$2,773,975,000	$1,800,093,000 c/	$2,263,718,000	$1,200,191,000 d/

c/ Includes $492,023,000 noncompetitive tenders accepted at the average price of 98.006
d/ Includes $329,311,000 noncompetitive tenders accepted at the average price of 96.069
1/ These rates are on a bank discount basis. The equivalent coupon issue yields are 8.16% for the 91-day bills, and 8.21% for the 182-day bills.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE 6:30 P.M.,
Tuesday, January 27, 1970.

RESULTS OF TREASURY'S MONTHLY 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 October 31, 1969, and the other series to be dated January 31, 1970, which were offered on January 21, 1970, were opened at the Federal Reserve Banks today. Tenders were invited for $500,000,000, or thereabouts, of 271-day bills and for $1,000,000,000, or thereabouts, of 365-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	271-day Treasury bills maturing October 31, 1970		:	365-day Treasury bills maturing January 31, 1971	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	94.211	7.690%	:	92.421 a/	7.475%
Low	94.151	7.770%	:	92.300	7.595%
Average	94.185	7.725% 1/	:	92.362	7.533% 1/

a/ Excepting 1 tender of $1,000
75% of the amount of 271-day bills bid for at the low price was accepted
93% of the amount of 365-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	$ 1,058,000	$ 1,058,000	:	$ 13,767,000	$ 3,767,000
New York	1,109,901,000	394,901,000	:	1,301,721,000	724,371,000
Philadelphia	8,534,000	7,784,000	:	17,295,000	17,295,000
Cleveland	3,901,000	3,901,000	:	17,895,000	16,725,000
Richmond	840,000	840,000	:	7,918,000	7,918,000
Atlanta	10,516,000	7,516,000	:	23,696,000	13,947,000
Chicago	84,509,000	34,509,000	:	145,176,000	117,176,000
St. Louis	13,963,000	10,963,000	:	26,109,000	26,109,000
Minneapolis	16,204,000	6,704,000	:	17,421,000	10,921,000
Kansas City	2,081,000	2,081,000	:	14,365,000	14,239,000
Dallas	14,239,000	7,239,000	:	19,713,000	12,713,000
San Francisco	76,781,000	22,531,000	:	89,830,000	34,830,000
TOTALS	$1,342,527,000	$ 500,027,000 b/		$1,694,906,000	$1,000,011,000 c/

b/ Includes $ 25,130,000 noncompetitive tenders accepted at the average price of 94.185
c/ Includes $133,565,000 noncompetitive tenders accepted at the average price of 92.362
1/ These rates are on a bank discount basis. The equivalent coupon issue yields are 8.21% for the 271-day bills, and 8.11% for the 365-day bills.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE January 28, 1970

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 $ 3,000,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing February 5, 1970, in the amount of $ 3,004,928,000, as follows:

91-day bills (to maturity date) to be issued February 5, 1970, in the amount of $ 1,800,000,000, or thereabouts, representing an additional amount of bills dated November 6, 1969, and to mature May 7, 1970, originally issued in the amount of $ 1,201,387,000, the additional and original bills to be freely interchangeable.

182-day bills, for $1,200,000,000, or thereabouts, to be dated February 5, 1970, and to mature August 6, 1970.

The bills of both series will be issued on a discount basis under competitive and noncompetive 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, February 2, 1970. 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

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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 ra of accepted bids. Only those submitting competitive 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 February 5, 1970, in cash or other immediately available funds or in a like face amount of Treasury bills maturing February 5, 1970. 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 AT 6:30 P.M.
WEDNESDAY, JANUARY 28, 1970

REMARKS OF THE HONORABLE DAVID M. KENNEDY
SECRETARY OF THE TREASURY
BEFORE
THE AMERICAN-SCOTTISH FOUNDATION INCORPORATED
HOTEL PIERRE, NEW YORK, NEW YORK
WEDNESDAY, JANUARY 28, 1970

This last year most of my efforts and most of my discussions have been on the economy, about the necessity and the problems of curbing inflation.

As you must certainly know, our policy has been to cool the overheated economy, without slamming on the brakes so hard as to cause unnecessary dislocation in the economy. These policies will bring the economy into balance where we might enjoy sustainable growth. They have been and are working.

This is the first year since the current inflation began that we have ended the year with prices rising at a slower rate than they were when we started the year. We have had five months of declining industrial production. The Gross National Product, in real terms, actually declined slightly in the fourth quarter of 1969.

These examples are indicative, as are many others, that we are controlling inflation without major disruptions of our economy.

Most of you, I'm sure, are wondering about the budget which the President will submit to Congress next Monday. I won't discuss it tonight other than to say that, in true Scottish style, it is credibly balanced.

What I would like to discuss with you tonight is something the President emphasized in his State of the Union message, the environment in which we live and its relationship with our economy.

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During recent months, and especially in recent days, we have been hearing and reading much about the environment, about air and water pollution, about the quality of life.

Let me assure you, my choice of topic is appropriate for the man responsible for paying the government's bills and raising the necessary revenues.

I am discussing the environment with you tonight because the talk of improving, or saving our environment requires judgment, the making of choices, the arrangement of priorities. If we are going to do it, we are going to have to pay for it. And, chances are that if we pay for this, we'll have to give up something else. We cannot have everything we want in either the private sector or the public sector. We have to set priorities.

The Scottish people have a reputation for thrift, for paying the bills as they come due, for denying themselves the things for which they cannot pay.

That quality, which the Scots have contributed to the plurality of folklore of our country,is essentially what I want to talk about tonight.

We must not let pollution control the quality of environment, become a fad, with all that word implies.

This business is too serious, too important to us and to generations to come. We have to generate enthusiasm, to be sure. But we must also generate an enthusiasm we can sustain through the long years of difficult choices and hard work that lie ahead before it will all come true.

Our work must be programmed and our enthusiasm budgeted so that determination will not fade before we reach our objectives. I would not like us to spend all our enthusiasm in the initial stages.

I see this as a climb up a steep and icy hill. No vehicle can reach the peak, along such a road as this, without good traction.

The foolish driver spreads all the sand of this enthusiasm at the bottom of the hill and guns it, hoping his momentum will carry him over the top. We must save some of that sand to give us the grip, the traction, we need to reach the summit and go over the top.

One of the first things we must do is define the problem, trace its causes and balance cause and result, benefits and costs. It is not enough simply to say we must have clean air and water.

The quality of environment, the quality of life, means more, much more than that. It involves the spirit and the spiritual, the politics and the political process, the society and the social system.

More specifically, it involves having enough to eat; being warm enough in the winter and cool enough in the summer; having enough to wear; having bathtubs, cars, radios and television sets; having a house we can call our own; enjoying the artistic and the cultural; having the leisure to expand our horizons and travel to historic and exotic lands; having medicine to sooth and cure our ills; developing resources to educate our children; assuring equality of opportunity and freedom from fear on the streets, and insuring all other aspects of our cherished way of life. In short, it embraces all of us, everything about us and everything around us.

And as Secretary of the Treasury, I can state unequivocally that it involves the state of our economy, our fight against inflation.

Inflation erodes our dollar, the measure of our labor, our productive time, just as surely as strip mining scars the hills and silts the rivers of West Virginia, as wanton ploughing erodes the plains of Kansas or automobile exhaust fouls the air of the Los Angeles basins.

Inflation diminishes our ability to cope with the environment and our ability to find resources to improve it.

It is not difficult to spot the causes of pollution. What is difficult is to understand how the problem was permitted to develop in the first place. It also will take brain power to determine how we can make the changes necessary in our city and state programs;in our business machines, and practices and in living habits to end pollution. And, how we can finance all of the changes and improvements necessary to clean our streams and air?

Frankly, we oversimplify when we blame the selfish interest of the manufacturer, the apathy of our political leaders or the inertia of the public. The causes are much more fundamental. Essentially, pollution is a natural process.

Undisturbed, nature preserves an ecological balance. If there are too many deer for the feed, the weak starve. If there are too many trees competing for the nutriments in any given plot of ground and for the sunshine falling on that plot, the strong grow tall, shading the weaker and depriving them of the life-giving light. Waste decays, producing food for surviving plants.

But man, in his wisdom and intellect, learned how to manipulate nature and to utilize her resources to what he thought, at least, was his advantage.

When Europeans first came to this continent, they felled trees for shelter, they farmed and fished for food and trapped for furs. The ecological balance was hardly disturbed, if at all. But things changed when they established the first mill at the fall line. Although those mills used water power, waste material was often dumped in the streams. Man began burning coal and other hydrocarbons for heat and energy, increasing his capacity to work and produce. He built factories that spewed smoke into the air and more and more waste into the streams. But those factories also produced goods and provided jobs.

In the past the jobs and goods seemed more important than the smoke and waste because man just couldn't conceive that the endless sky could be polluted or that the constantly running brook could not carry away all the waste.

He kept building and building, manufacturing and manufacturing and -- as a byproduct -- polluting and polluting.

As technology improved and population increased, there was a heavy migration to the cities for higher paying jobs than were available on the land. And agriculture had progressed so rapidly in this country that there was little demand for labor on the farm. As he made money in the cities, man longed to return to open spaces and our suburbs grew up, cluttering the open spaces around our cities.

The new suburbanites had to have cars to commute between home and job, and a second car for the wife to use in shopping and transporting the children to school, dance classes and little league ball games. Cars, as I'm sure you are aware, are one of the greatest source of air pollution.

He also had money to buy more of almost everything, and manufacturers strove to meet the demands. And with every worldly good which was produced for a rapidly increasing population, there was more waste.

While man was managing one side of his environment, the productive side, he failed to realize that the side of waste disposal and control also needed management. In the context of the span of time, man has suddenly realized that he is producing more waste than nature can cope with.

Our system produced the most affluent economy known, an economy which is still the envy and the goal of most other peoples of the world.

I don't believe that our people need to accept a decreased standard of living as the price of pollution control. I think that we can and must increase our output while containing and decreasing pollution.

In some instances the natural competitive process will solve this problem, as public policy results in laws to curb pollution.

Just last Saturday a fertilizer plant in Houston, Texas, announced it was shutting down because it would cost too much for remodelling to meet the standards for clean air set by the Texas Air Control Board. It is logical to assume that other plants, with different management skills, will manage to produce fertilizer -- which is certainly needed to maintain agriculture -- without polluting the air, or they will incorporate plant improvements and pass the cost on to the farmer who will add the cost to the food he grows. However it works, someone is paying the bill.

And there is another cost which must be weighed in this equation. The plant which shut down had a number of employees who must now find work elsewhere. Management made the decision to shut down the plant, but I wonder if the workers, had they had the chance, would have voted to throw themselves out of work.

Implied in this example is one of the greatest problems of pollution control. We can't shut down all the plants, we can't curb all the automobiles and we can't ground all the airplanes. We have to order our priorities.

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As President Nixon said in his State of the Union message last week: "I shall propose to this Congress a ten billion dollar nation-wide clean waters program to put modern municipal waste treatment plants in every place in America where they are needed to make our waters clean again, and to do it now."

The President was ordering his priorities. Clean water is vitally necessary, and we have the technology and the industrial capacity to reach the municipal waste treatment goal.

The Tax Reform Act of 1969, recently signed by the President, provides tax incentives for the installation of pollution control equipment. We may be able to do more in this field. And I'm confident that our engineers and scientists, under the pressure of government policy, the desires of the people and the competition of the market place will come up with new and effective anti-pollution techniques and devices in the reasonable near future. The automobile companies are now making substantial investment in pollution control research. And already we see signs that industry is working on self-cleanup, under the stimulus of the developing public consiousness of the problem. In Gary, Indiana, one steel company is spending an extra $37 million on equipment to purify millions of gallons of waste water it discharges into Lake Michigan. In Washington, a paper mill has found that it can profitably extract a by-product from its polluting effluent and thus meet the cost of pollution control.

It is only in recent years that we have realized the dangers of the fumes our automobiles spew into the air. Only a few years ago we laughed at the Bob Hope jokes about Los Angeles smog. While anti-pollution devices now required on all new automobiles solve part of the problem, further improvement is needed if we are to gain on the overall output of exhausts as the number of cars increase. Here again we see an ordering of priorities, a choice that we have to make.

Despite all that has been written about automobile smog,Americans continue to buy millions of new automobiles each year. I take it that the public, which highly prizes its mobility, is betting on improved technology and is willing to pay the cost of the anti-pollution devices rather than give up the second family car or the home in the suburbs.

But individuals and government only have so many resources. We must make choices.

Pollution control, as strange as it may sound to say it, is infinitely more complex than landing man on the moon. That landing was the united effort of a relatively small group of men with one common objective. Cleaning up our environment involves millions of participants with conflicting ideas and opinions. And I would dare speculate, as a layman, that we knew more about space propulsion and navigation in 1961 than we do about ecology now.

In the city of New York, for example, air pollution is a very serious problem. During the last 30 years Consolidated Edison, the local electric utility, has spent $150 million dollars on pollution abatement equipment. Currently it wants to spend millions more for atomic powered electric generating plants, but it is stymied by those who feel the atomic plant, which won't spew pollutants into the air as do existing coal and oil plants, will overheat the Hudson River, killing fish and wildlife. I'm not taking sides in this dispute. I point it out to illustrate that the job is complicated by these conflicting opinions. Here a conflict between air and thermal pollution.

This is a major task which the President and the people have set before us. Its solution will require long range determination, an ordering of priorities, a budgeting of our resources, a concentration of our energies. A diffusion of any of these will result in failure to show concrete results in a reasonable length of time. Americans like to see results.

While cleaning up our environment will require patience and understanding, the settling of differences, the objective at least is one upon which almost all can agree. I believe if we are willing to pay the price, we can afford it. The Harvard Center for Population Studies estimates it will cost $5.1 billion a year in capital investment and $8.4 million for current operation. While I would suspect this is substantially underestimated, it is a modest price to pay from a trillion dollar Gross National Product. Double or triple the estimate is reasonable if we order our priorities and take it a step at a time.

Another factor which must be taken into consideration is the cost of not controlling pollution. We cannot make precise estimates, but it is safe to say that the cost of not controlling pollution is even heavier than that of restoring our ecological balance.

I think most of us are agreed that this should not become a political issue. But if some prefer to make it a political issue, I would like to point out that we now have the first really conservation and environmental-minded President in the White House since Theodore Roosevelt.

But I prefer to believe that this in one issue on which all parties, the old and the young can unite, one on which we older people won't be called reactionaries for saying lets go back to the good old days -- the good old days of clean air and water.

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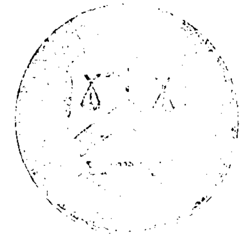
TREASURY DEPARTMENT



WASHINGTON, D.C.

January 28, 1970

TREASURY ANNOUNCES $6.7 BILLION REFUNDING OF FEBRUARY 15 AND MARCH 15 MATURITIES

The Treasury today announced that it is offering holders of the 4% Treasury Bonds of 1970, maturing February 15, 1970, and the 2-1/2% Treasury Bonds of 1965-70, maturing March 15, 1970, the right to exchange their holdings for an 18-month note, 3-1/2-year note, or a 7-year note, at par.

The notes being offered are:

8-1/4% Treasury Notes of Series F-1971, dated February 15, 1970, due August 15, 1971,
8-1/8% Treasury Notes of Series B-1973, dated February 15, 1970, due August 15, 1973, and
8% Treasury Notes of Series A-1977, dated February 15, 1970, due February 15, 1977.

In the case of exchanges of the 2-1/2% bonds interest will be adjusted as of March 15, 1970. The payments due to and from subscribers and the net amounts payable to subscribers are as follows (per $1,000 face value):

If Exchange is For NOTES	Payable to Subscriber to Adjust for Market Value of Bonds	Accrued Interest Payable: To Subscriber - 9/15/69 to 3/15/70 on 2-1/2% Bonds	Accrued Interest Payable: By Subscriber - 2/15 to 3/15/70 on new notes	Net Amount to be Paid to Subscriber
8-1/4% Due 8/15/71	$ 1.14	$ 12.50	$ 6.38122	$ 7.25878
8-1/8% Due 8/15/73	1.04	12.50	6.28453	7.25547
8% Due 2/15/77	0.95	12.50	6.18785	7.26215

The public holds about $5.6 billion of the bonds eligible for exchange, and about $1.1 billion is held by Federal Reserve and Government accounts.

Cash subscriptions for the new notes will not be received.

The books will be open for three days only, on February 2 through February 4, for the receipt of subscriptions. Subscriptions must be in an amount of $1,000 or a multiple thereof and may be paid for only with eligible maturing securities. 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,

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February 4, will be considered as timely. The payment and delivery date for the notes will be February 16, 1970. The notes will be made available in registered as well as bearer form. All subscribers requesting registered notes will be required to furnish appropriate identifying numbers as required on tax returns and other documents submitted to the Internal Revenue Service.

Coupons dated February 15, 1970, on the bonds maturing on that date should be detached and cashed when due. The February 15, 1970, interest due on registered bonds will be paid by issue of interest checks in regular course to holders of record on January 15, 1970, the date the transfer books closed. Coupons dated March 15, 1970, on the bonds due on that date must be attached.

Interest on the notes due August 15, 1971, will be payable on August 15, 1970, and February 15 and August 15, 1971. Interest on the notes due August 15, 1973, and February 15, 1977, will be payable on August 15, 1970, and thereafter on February 15 and August 15 until maturity.

TREASURY DEPARTMENT
Washington

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FOR RELEASE AT 6:30 P.M.
FRIDAY, JANUARY 30, 1970

EXCERPTS FROM REMARKS BY PROFESSOR HENRY C. WALLICH,
SENIOR CONSULTANT TO THE SECRETARY OF THE TREASURY
DAVID M. KENNEDY,
AT THE TRUSTEES' DINNER, CLARKSON COLLEGE OF TECHNOLOGY,
POTSDAM, N.Y., JANUARY 30, 1970.

THE UPHILL BATTLE AGAINST INFLATION

We have just passed a milestone in the long battle against inflation. In the last quarter of 1969, the Gross National Product, stated in constant dollars ceased to grow, although continued inflation raised its value in current prices.

This event, an unhappy but unavoidable part of the effort to defeat inflation, carries a message. It is that, in the evolution of efforts to halt inflation we are not very far behind schedule. When the present Administration came into office, its objective was to end the inflation, if possible, without a recession. Encountering as it did, many circumstances not of its own making, it could hardly expect to make a decisive impact upon the overheated economy during the first half of 1969. The earliest opportunity to show results might have been the third quarter of the year. During that quarter, GNP was still rising. The halt came in the fourth. One might reasonably say that, as regards the overall rate of activity, we are one quarter behind schedule. The lag in the attainment of stabler prices is greater, however, and to this problem I would like to address myself.

The resistance that prices are showing to restraint is indeed a cause for concern. It reflects the widespread expectation of continued inflation, nurtured by four years of rising prices. It reflects also the many defensive actions taken in the private sector, in the areas of wages,

interest rates, and price policies, through which various economic groups have sought to shield themselves. This is not a brief inflationary flame that can be snuffed out with a few blasts from fiscal or monetary policy. It is a fire that needs to be fought tenaciously, the embers of which may smoulder for a long while.

The persistence of the present inflation has had one small fringe benefit: it has convinced some erstwhile skeptics of the need to fight inflation. In former years, one used to hear a good deal about the benefits of inflation, and this talk is by no means dead. But increasingly I hear the opposite. Commentators who used to scoff at inflation and at concern over it now are heard to say that not enough has been done to stop the price rise. To take this assertion literally, it seems to be an argument in favor of provoking a recession, for if substantially more had been done, surely by now we would long have had a falling real GNP. Whatever the detail of such views, as fellow soldiers in the battle against inflation any erstwhile skeptics are a great help. Welcome to the team.

During good part of the past year, inflation accelerated. It also accelerated in 1968, and 1967, and 1966. This has been a painful experience for everybody, but it has also provided a badly needed lesson. There has been a school of thought that has advocated the use of inflation as a means of raising employment. There was a trade-off, so we were told, between inflation and unemployment. Accept a higher rate of inflation, and you can have a lower rate of unemployment. If this were true, it would be a tempting proposition. It would be morally hard to reject, say, one percent more inflation if for it one could buy a reduction in unemployment of a significant amount.

Recent experience has made clear that this is a fallacy. The theory rests on the assumption that inflation does not tend to accelerate. At the very low rates of unemployment that we have been fortunate to have, inflation unfortunately has not remained constant. It has speeded up, because people have observed what went on and protected themselves -- by raising wages, interest rates, and prices.

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If this was an effort to fool all of the people all of the time it miscarried, as this kind of thing usually does. Inflation stays constant only so long as it stays unobserved. Over a few months, no doubt, the trade-off between inflation and unemployment can always be practiced. In the longer run, it cannot. I hope that the present experience will add to our understanding and will generate support for non-inflationary policies.

It would be inappropriate, of course, to imply that as a result of this experience we now know all that we need to know. A great deal is still to be learned about the control of inflation. It is important to remain open-minded about new ideas. This does not mean that we should hopefully reach for remedies such as wage and price controls that are now increasingly being advocated. We do know a great deal about the damage they can cause. But I do not believe that fiscal and monetary policy, working through unemployment of man and machine, are necessarily the sole and best remedies, particularly in the face of what is increasingly becoming a cost push inflation.

If some of the answers still elude us, some of the questions are at least coming into better focus. Time was when inflation was viewed principally as a problem concerning wages and prices. Today we know that inflation poses very serious problems also about interest rates and capital markets in general. In speaking to a group whose members must necessarily be deeply concerned with the finances of their college, I hope it is appropriate to devote a few words to this topic.

The United States has passed through other periods of inflation, some not much less virulent than the present. But today's inflation is unique in what it has done to interest rates and capital markets. For the first time, investors have made a real effort to protect themselves. Protection has taken the form of demanding rates of interest that include a substantial inflation premium. The true value of this premium differs as between taxable and tax-exempt investors. For a college, a rate of 9 percent leaves a reasonable return even after today's inflation. For a taxpayer in the 50 percent bracket, it was still not adequate even to preserve capital during the year 1969.

Not long ago, many investors believed that they could hide from inflation by holding common stocks. So far, this has been a drastic miscalculation. Corporate profits after taxes have not risen since 1966. The stock market is about where it was in late 1965.

The bond market, in seeing its yields escalated to today's levels, has undergone severe damage. Investors now know that they can lose almost as much money in bonds as in stocks. Hereafter, they surely will charge the borrower a risk premium not only against inflation, but against the instability and at times illiquidity of the bond market. This will permanently increase the cost of bond financing, and will weigh against investment and growth.

Corporate borrowers, to be sure, so far have acted as if interest did not matter. There is very little in their profit and loss accounts to validate such a cheerful hypothesis. It is not obvious how far the return on assets justifies the high rates paid. Neither is it clear how the return on assets justifies the enormous capital expenditures undertaken in the last few years. The vast amounts of capital employed particularly in 1968 and 1969 have so far failed to produce significant productivity gains. This bears an alrming resemblance to events in 1956 and 1957, when heavy investment likewise went unaccompanied by corresponding productivity gains.

The response sometimes made to this situation, that interest is only half of what it seems because it is tax deductible, I find wholly unconvincing. The tax, after all, also reduces earnings. It simply cuts back all values to the same scale. I have never heard a corporate officer say that wages are only half of what they seem. Wages, too, are tax deductible, yet no one seems to consider wage increases any the less burden for that reason.

Borrowers have been increasingly compelled, meanwhile, to give up a "piece of the action" in the form of so-called equity kickers or sweeteners. This has raised the cost of capital. Increasingly, as one observes the statements of earnings converted to a "fully diluted" basis, one becomes aware of the restraint on investment that will eventually be exerted by these arrangements. At the present time, restraint is desirable, and the effect as yet scarcely

observable. In the long run, however, capital spending may suffer and the growth of the economy's capital stock may be slowed down.

Looking to this longer run, one is bound to discern a new factor that is likely to affect interest rates. It is the great demand for capital that one can see ahead. Even if corporate investment should be somewhat constrained by high capital costs, there will be other claimants. Home owners and state and local authorities must anticipate a great expansion of their financial needs. The Federal Government's agencies -- not, I hope and believe, the Federal Government itself -- will be large borrowers. We have developed the habit of debudgeting certain programs, pushing their financing upon the private sector, without however developing new sources of financing from which to meet these needs. Even without inflation, therefore, pressure on financial markets seems likely.

Looking at this situation from the viewpoint of the investor, his prospects are not unattractive. His old investments, to be sure, may in some degree remain depressed. But any new money he can commit should give him a good return. If inflation is brought under control, the rewards to financial investment in a period of capital scarcity will be considerable. If these rewards include also an inflation premium, as for some time at least they may, the return will be particularly attractive to a tax exempt institution, for instance, a college. It is an ill wind that blows nobody any good. With the great financial needs of institutions of higher learning that loom ahead, which now are being intensified by inflation, it is partial compensation at least to be able to point to this small fringe benefit.

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