U.S. Dept. of the Treasury.

PRESS RELEASES

WS-1106

TO

WS-1237

OCTOBER 1, 1976

THROUGH

DECEMBER 31, 1976

Department of the TREASURY
OFFICE OF REVENUE SHARING
WASHINGTON, D.C. 20226
NEWS
TELEPHONE 634-5248

FOR IMMEDIATE RELEASE
FRIDAY, OCTOBER 1, 1976
CONTACT: PRISCILLA CRANE (202) 634-5248

The U.S. Treasury Department's Office of Revenue Sharing paid $1.6 billion to 35,125 units of State and local government today, in the 17th regular payment of general revenue sharing funds made since the program was authorized in 1972.

Of the amount released today, approximately $1.3 billion was paid to more than 18,000 places using electronic funds transfer and direct deposit procedures.

Today's distribution represents the first of two regularly-scheduled payments of funds allocated for the seventh and final entitlement period of the presently-authorized General Revenue Sharing Program.

Including the amount released today, the Office of Revenue Sharing has paid $28.3 billion to nearly 39,000 states, counties, cities, towns, townships, Indian tribes and Alaskan native villages since the first checks were mailed in December 1972.

WS-1106

Approximately $20 million in money authorized to be paid today is being held for 3,000 local governments which have not reported their planned and actual uses of revenue sharing funds to the Office of Revenue Sharing. These reports are required by Section 121 of Title I of the State and Local Fiscal Assistance Act of 1972 (P.L. 92-512, revenue sharing law).

Funds owed to these and other delinquent governments will be paid after the required reports have been received and accepted by the Office of Revenue Sharing. A special payment will be made November 12, 1976 to governments which have filed properly executed reports with the Office of Revenue Sharing by November 5, 1976. Governments which need replacement forms, may obtain them from the Office of Revenue Sharing.

Legislation to extend the General Revenue Sharing Program past the scheduled expiration date of December 31, 1976 is now before the Congress.

he Department of the TREASURY NEWS
ASHINGTON, D.C. 20220 TELEPHONE 964-2041

Contact: J.C.Davenport
Extension 2951
October 1, 1976

FOR IMMEDIATE RELEASE

TREASURY ANNOUNCES TENTATIVE NEGATIVE DETERMINATION IN ANTIDUMPING INVESTIGATION ON FULLY AUTOMATIC DIGITAL SCALES FROM JAPAN

Under Secretary of the Treasury Jerry Thomas announced today a tentative negative determination in the investigation of fully automatic digital scales from Japan under the Antidumping Act, 1921, as amended. Notice of this decision will appear in the Federal Register of October 4, 1976.

Comparisons based on purchase price and home market price during the period July 1, 1975-February 29, 1976 have yielded no margins.

The investigation was initiated March 31, 1976, following the receipt of a petition in proper form from counsel on behalf of the Reliance Electric Company, Cleveland, Ohio, a domestic manufacturer of the subject scales. A final determination in this case is due within 3 months.

For purposes of this investigation the term "fully automatic digital scales" means such scales that display weight, unit price and total price having a weight measuring capacity of 25 pounds or less.

Imports of the subject merchandise from Japan amounted to approximately 1800 units, valued at roughly $1.3 million f.o.b. Japan, during 1975.

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WS-1107

ne Department of the TREASURY NEWS
SHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE AT 4:00 P.M. October 1, 1976

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $5,900 million, or thereabouts, to be issued October 14, 1976, as follows:

91-day bills (to maturity date) in the amount of $2,400 million, or thereabouts, representing an additional amount of bills dated July 15, 1976, and to mature January 13, 1977 (CUSIP No. 912793 D9 4), originally issued in the amount of $3,503 million, the additional and original bills to be freely interchangeable.

182-day bills, for $3,500 million, or thereabouts, to be dated October 14, 1976, and to mature April 14, 1977 (CUSIP No. 912793 F6 8).

The bills will be issued for cash and in exchange for Treasury bills maturing October 14, 1976, outstanding in the amount of $5,916 million, of which Government accounts and Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold $3,076 million. These accounts may exchange bills they hold for the bills now being offered at the average prices of accepted tenders.

The bills will be issued on a discount basis under competitive and non-competitive bidding, and at maturity their face amount will be payable without interest. They will be issued in bearer form in denominations of $10,000, $15,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value), and in book-entry form to designated bidders.

Tenders will be received at Federal Reserve Banks and Branches and from individuals at the Bureau of the Public Debt, Washington, D. C. 20226, up to one-thirty p.m., Eastern Daylight Saving time, Friday, October 8, 1976. Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. 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.

Banking institutions and dealers who make primary markets in Government

WS-1108

(OVER)

securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others 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 bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. 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 $500,000 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 or Branch or at the Bureau of the Public Debt on October 14, 1976, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 14, 1976. 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.

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 considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of bills (other than life insurance companies) issued hereunder must include in his Federal income tax return, as ordinary gain or loss, the difference between the price paid for the 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.

Department of the Treasury 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, or from the Bureau of the Public Debt.

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE October 1, 1976

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $2,500 million of 13-week Treasury bills and for $3,500 million of 26-week Treasury bills, both series to be issued on October 7, 1976, were opened at the Federal Reserve Banks today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing January 6, 1977			26-week bills maturing April 7, 1977		
	Price	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/
High	98.719	5.068%	5.20%	97.342 a/	5.258%	5.48%
Low	98.711	5.099%	5.24%	97.337	5.267%	5.49%
Average	98.714	5.087%	5.23%	97.338	5.265%	5.48%

a/ Excepting 3 tenders totaling $3,500,000

Tenders at the low price for the 13-week bills were allotted 40%.
Tenders at the low price for the 26-week bills were allotted 56%.

TOTAL TENDERS RECEIVED AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Received	Accepted	Received	Accepted
Boston	$ 24,000,000	$ 20,000,000	$ 68,280,000	$ 4,280,000
New York	3,094,570,000	1,923,570,000	6,703,665,000	3,225,895,000
Philadelphia	20,580,000	20,580,000	12,110,000	7,110,000
Cleveland	27,985,000	27,985,000	275,215,000	109,215,000
Richmond	20,090,000	13,090,000	55,060,000	9,060,000
Atlanta	23,520,000	22,725,000	28,140,000	18,000,000
Chicago	298,115,000	204,385,000	348,040,000	22,840,000
St. Louis	47,845,000	31,845,000	72,290,000	39,715,000
Minneapolis	31,950,000	9,950,000	44,755,000	3,755,000
Kansas City	20,995,000	20,995,000	14,680,000	13,055,000
Dallas	23,725,000	19,125,000	37,095,000	23,095,000
San Francisco	284,635,000	188,035,000	474,450,000	24,050,000
TOTALS	$3,918,010,000	$2,502,285,000 b/	$8,133,780,000	$3,500,070,000 c/

b/ Includes $278,735,000 noncompetitive tenders from the public.
c/ Includes $150,045,000 noncompetitive tenders from the public.
1/ Equivalent coupon-issue yield.

WS-1109

he Department of the TREASURY NEWS
SHINGTON, D.C. 20220 TELEPHONE 964-2041

October 1, 1976

FOREIGN PORTFOLIO INVESTMENT REPORT

Copies of the Treasury Department's "Report to the Congress on Foreign Portfolio Investment in the United States," are available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D. C. 20420, at a price of $2.80 per copy.

Also available in a separate volume from the Superintendent of Documents at a price of $5.70 per copy, is "Appendixes F and G" to the report, which is a reproduction of a study on institutional and legal aspects of foreign portfolio investment in the United States. The latter was done for the Department by private contract.

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WS-1110

he Department of the TREASURY NEWS
SHINGTON, D.C. 20220 TELEPHONE 964-2041

REMARKS BY THE HONORABLE GEORGE H. DIXON
DEPUTY SECRETARY OF THE TREASURY
BEFORE THE
NATIONAL BANKERS ASSOCIATION 49TH ANNUAL CONVENTION
RICHMOND, VIRGINIA
OCTOBER 1, 1976

Ladies and Gentlemen, thank you for your warm welcome. I am honored to be with you and delighted to address your Annual Convention here in Richmond, Virginia. It goes without saying--but let me do so anyway--the Treasury Department, and I personally, admire your membership and your contributions to banking and to society.

Let me also be the next in a long line of Treasury officials who have had the pleasure of coming before you and stating publicly that we heartily endorse, strongly support, and try to work hard to foster the Minority Bank Deposit Program.

As LeRoy Thomas noted in his gracious introduction, I have been a member of the Treasury team but a relatively short time. Less than a year ago I, too, used to sit in audiences much like this one, listening to some Washington bureaucrat, and recall the wisdom of Will Rogers, who used to say, "I don't tell jokes--I just watch the government and report the facts."

Now that I'm no longer just watching the government, the wisdom of Will Rogers seems somehow less compelling. It's remarkable what a few months in Washington will do to one's perspective about the legislative process, about that great gray faceless bureaucracy, and many other things.

It is, after all, not an easy thing to be a professional politician. Just think how difficult it would be to place yourself in the position of straddling a fence while keeping one ear to the ground. Or recall Groucho Marx's definition of politics. He said it was "the art of looking for trouble, finding it everywhere, diagnosing it incorrectly, and then applying the wrong remedies." But I trust that this Administration's interest and the Treasury Department's leadership in advancing the objectives of the Minority Bank Deposit Program don't conform to Groucho's definition.

As you know, six years ago, in October 1970, the Minority Bank Deposit Program was announced in a joint statement issued by the Departments of Commerce and Treasury. The object of that program can be simply stated--to stimulate the formation and growth of minority banks as part of an overall effort to expand the opportunities for minority business enterprise.

Looking back over the program's six-year history, we believe that it has been very successful. The credit for that success must be shared by all of the participants. Your institutions have engaged in aggressive marketing and provided needed services that are efficient and competitive in every respect. We hope that it is fair to say that the activities of the Treasury and Commerce Departments have reinforced your own efforts and have assisted in achieving our mutual goals.

Thirty-one banks with total deposits of about $400 million were initially included in the program. The goal for its first year was to increase deposits by $100 million. A two-part approach was adopted: the first, directed by the Department of Commerce, aimed at increasing deposit flows from the private sector by $65 million; the second step was to increase Federal government deposits in minority banks by $35 million, not counting tax and loan account deposits which have always been considered separately.

At your 44th Annual Convention, held in Washington, D.C. in 1971, former Deputy Secretary Charls Walker gave you a progress report in which he stated that the first year's goals had been met--in fact they had been exceeded. Total deposits in minority banks had increased by $155.5 million between September 1970 and September 1971. Government deposits in minority banks increased by $40 million during that year.

At your 45th Convention, in Houston, Texas, former General Counsel Sam Pierce commented that minority bank deposits had increased to $875 million--an increase of 120 percent in just two years. Because the figures were not available at the time, Mr. Pierce did not mention that during the same period Federal deposits had increased another $45 million to $85 million.

The October 1973 progress report was brought to your 46th Convention in Chicago, by Bill Simon, who then was Deputy Secretary. As of June that year, deposits in minority-owned banks had surpassed $1 billion. Again, lack of reporting data prevented him from telling the Convention that on September 30, 1973, government deposits reached almost $89 million.

What has happened since Bill Simon's 1973 report? Total deposits in minority banks have continued to grow. They now exceed $1.4 billion, an increase of $1 billion in the six years since the Minority Bank Deposit Program began.

The number of minority banks also has continued to increase--from those original 31 banks in 1970, serving 24 communities, up to 50 banks in 1973 serving 42 communities, and to the 79 banks of today, which serve 58 American communities. That's the good news.

The bad news is that after Secretary Simon's report to you in 1973 government deposits declined, reaching a low point of about $65 million for the quarter ended September 30, 1974. This was mostly due to more sophisticated cash management practices throughout the government, including the increased use of letter of credit funding techniques and to cutbacks in some programs which had contributed sizable balances.

As taxpayers, we have to be in favor of anything which reduces the cost of government, and that of course includes good cash management. But even so, with your help we have been working to reverse the trend and increase deposits. Among other initiatives, last October President Ford sent a memorandum to the heads of all Departments and Agencies asking them to renew their efforts in support of this important program, and urging them to examine what new approaches, consistent with good cash management, they could take to further its objectives.

I am very pleased to announce that these efforts have been successful. With one small agency yet to report, government deposits at June 30, 1976 totaled $89,499,000, again excluding tax and loan account balances. Since September 1974, over $24 million of government deposits have been added, to achieve a new all-time high for the program.

While we are pleased with those results--as we hope you are--there is clearly much more we can do. In looking ahead, in setting goals within the Treasury for the next fiscal year which begins today, we have established an objective to increase government deposits in minority banks to $100 million.

We realize, of course, that as Henry Ford said, "You can't build a reputation on what you are going to do." We have no crystal ball to tell us if this goal can be accomplished. We will follow the approach that worked well when the program was first getting started--that is, having Treasury employees meet with local Federal officials in cities where minority banks are located in an attempt to communicate the government's overall commitment and to find opportunities where new banking relationships can be established.

Such meetings were held in New York and San Francisco in the past year. During the coming year we will give special attention to those cities where Federal deposits seem to be lagging, including St. Louis, Cleveland, Memphis, Pittsburgh, Houston, Albuquerque, Chicago, and Los Angeles. Now this is no breakthrough in innovative ideas, but at this stage of the minority banking build-up effort, there is probably no better alternative than just plain "beating the bushes for business." Treasury will do its best to make the program as widely known and understood as our resources will permit and to encourage all Federal agencies to use minority banks wherever there is a choice.

One of the best ways for us to promote the program is by example. On June 30, 1976, the Treasury had noninterest-bearing time deposits of $3,434,000 with 26 minority banks. These balances serve as compensating balances to reimburse the banks for collecting the deposits of various Federal agencies through what are known as Treasury's General Accounts, and remitting those funds to various Federal Reserve Banks and branches.

This $3.4 million in Treasury compensating balances which are on deposit at minority banks represents about 13 percent of the total amount of such balances everywhere in the United States. Included in the total, therefore, are balances which, for various reasons, are not maintained with minority banks. For example, balances held by banks in cities and towns where there are no minority banks; balances held by banks providing services overseas; and balances related to a few extremely high-volume accounts where the selection of banks is under competitive bidding procedures.

After eliminating those types of balances, minority banks hold 40 percent of our compensating deposits. This percentage has been achieved because we in Treasury, in reviewing agency requests to establish General Accounts in cities where minority banks are located, have required that the agency involved consider opening the account at a minority bank. Given the large geographical areas of some cities, this approach does not always result in the selection of a minority bank--but it is successful on enough occasions to serve as reinforcement of our efforts.

The tax and loan account system represents another area where Treasury exercises some direct control, even though it is not a part of the Minority Deposit Program. As you know, all commercial banks are eligible for tax and loan accounts. Deposit volume in these accounts is not within the Treasury's control although we have actively encouraged corporations to use minority banks in making their tax payments. Deposit duration is within our control and is the same for all banks, minority or nonminority. Banks are divided into three classes which we imaginatively call A, B, or C, based on the dollar volume of deposits received. "A" banks have the lowest amount of deposits, and the "C" banks the highest. But for the "C" banks, the average life of tax deposits during Fiscal Year 1976 was 9/10 of a day, whereas it was 3.7 days for "B" banks, and 7.9 days for "A" banks.

It will come as no surprise to any of you that these figures represent the shortest average deposit life in the history of the program. On a consolidated basis tax deposits remained in the banking system for an average of 2.2 days during Fiscal Year 1976 as compared to 3 days in 1975, 6.9 days in 1974, and 11.1 days in 1973.

As I implied earlier, we don't want to apologize for these improvements in our cash management techniques. They are, after all, just an application of the same concepts you recommend to your customers and which you utilize in your own institutions. In this era of burgeoning Federal deficits we can do no less for the taxpayer than to assure that his funds are utilized in the most effective possible manner.

Nevertheless, progress in cash management has resulted in some new problems which we recognize and are committed to address. Reducing average daily balances so dramatically has produced a situation where many banks are not being adequately compensated for the services that they perform for the government. We cannot expect that banks will continue to participate in the tax and loan system under those conditions.

The tax and loan system is probably the best cash collection system in the world today. Its effectiveness is directly related to the fact that almost every bank in the country is a collection point. It minimizes collection time, eliminates mail delays, and provides immediate access to tax payments. Given those advantages, it simply would not be in the public interest to pursue policies which could lead to a reduction in its efficiency.

In 1975 we proposed legislation to the Congress which would permit the government to invest its tax deposits in short term assets. As a practical matter, this means that all tax and loan balances would be invested in Federal funds at the bank of account and we would pay banks on a per item basis for services rendered. By adjusting the interest we collect and the service charges that we pay, we can assure that all banks are treated equitably regardless of whether they have a high dollar volume and low activity, or a low dollar volume but high activity. At the same time we can maximize the use of funds for the taxpayer.

During hearings on this legislative proposal before both the House and the Senate, your Association presented persuasive testimony that the bill would have a potentially disproportionate and adverse impact on minority owned banks. Because of your success in soliciting tax payments from private corporations, your balances have been approximately ten times higher than nonminority banks of comparable size. The Department of Treasury agrees with your concern and recognizes that implementation of the legislation could have a substantial negative impact on the earnings of minority banks. The Banking Committees of both the House and the Senate have also recognized the problem, and the congressional intent that the bill's impact should be softened for minority banks is firmly imbedded in the legislative history. We have proposed a procedure to solve the problem. It would authorize placing a special Treasury demand deposit with each bank participating in the Minority Bank Deposit Program. The amount of that deposit would be related to the bank's average daily tax and loan balance during 1976 or whatever year would be appropriate. The special deposit would be reduced each year and would be withdrawn at the end of five years. Since a separate account would be utilized, it would not affect the ongoing operations of the tax and loan account in minority banks. In accordance with the legislation, tax and loan balances would be invested in Federal funds and fees would be paid for services rendered.

As you probably know, the tax and loan account legislation passed the House of Representatives last December by a vote of 391-0 with one abstention. The Senate Banking Committee has also considered the bill, but it was not acted upon. As often occurs in the closing days of any legislative session, the bill was amended to include several provisions which were not germane to its original objectives. These amendments were controversial and led to a decision by the Senate to table the bill rather than consider it. In view of the overwhelming support which the bill enjoyed in both the House and the Senate as originally proposed, we expect that it will be passed next year by the 95th Congress as one of the first items of business.

In summary, we believe the Minority Bank Deposit Program has been successful. Most of that success can be attributed to your own efforts in support of the Program and in helping us to improve it. Neither of us are totally satisfied with the results and there is much more that we can do. We look forward to workin with you individually and through your Association in developing ways to improve the Program. I have appreciated the opportunity of speaking with you today and look forward to working with you next year. And if that sounds like an expression of optimism from a public servant appointed by President Ford, you're right--it is!

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

Contact: Richard B. Self
Extension: 8256
FOR IMMEDIATE RELEASE October 4, 1976

TREASURY ANNOUNCES
PRELIMINARY COUNTERVAILING DUTY DETERMINATION
AGAINST IMPORTS OF
CERTAIN FISH FROM CANADA

Under Secretary of the Treasury Jerry Thomas announced today a preliminary determination that imports of certain fish from Canada receive "bounties or grants" within the meaning of the U.S. Countervailing Duty Law (19 U.S.C. 1303). Notice to this effect will be published in the Federal Register of October 7, 1976.

Under the Countervailing Duty Law, the Secretary of the Treasury is required to assess an additional (countervailing) duty that is equal to the amount of the bounty or grant that has been found to be paid or bestowed. The investigation, which is confined to fresh, chilled, or frozen flounder and cod, revealed that direct payments by the Government to fishermen and processors under the "Groundfish Temporary Assistance Program", constitute the payment or bestowal of a bounty or grant. Payments to fishermen for construction of fishing vessels under the "Fishing Vessel Assistance Program" were determined at this stage not to be bounties. Interested parties will be given a period of 30 days after publication of this Notice in which to express written views on this preliminary determination.

During 1975 imports of fresh, chilled, or frozen flounder and cod classifiable under Tariff Schedule Item Numbers 110.3560, 110.3565, and 110.5545 were $3.2 million.

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WS-1112

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE October 14, 1976

TREASURY SECRETARY WILLIAM E. SIMON NAMES JOHN WEBSTER SPECIAL ASSISTANT TO THE SECRETARY FOR CONSUMER AFFAIRS

Treasury Secretary William E. Simon has named John Webster, a Presidential Interchange Executive on leave from the IBM Corporation, as Special Assistant to the Secretary for Consumer Affairs.

Mr. Webster who is 35 years old is a public affairs program administrator at IBM and holds advanced degrees from Pennsylvania State University and the University of Pittsburgh. The Presidential Interchange Program arranges for managers from both the private and public sectors to work in the opposite sector for a year to gain mutual understanding and appreciation of one another's areas. At the Treasury Department, Mr. Webster, who reports directly to Treasury Secretary Simon, will be responsible for carrying out the Department's Consumer Representation Plan.

During Mr. Webster's career at IBM he coupled a successful sales record at the corporation with a leave of absence to earn his Ph.D. in the Environmental Influence on Business. While doing so, he taught consumerism and related courses at Pennsylvania State University where he coordinated a wide range of student consumer projects. During this period he and a colleague lectured on consumerism to a variety of public service groups and conducted special seminars for improving the shopping habits of elderly, low-income consumers. He also served as Regional Director of the National Affiliation of Concerned Business Students where his principal responsibility was to promote social policy research and dialogue between corporations and business students.

In 1974, Mr. Webster returned to IBM as a program administrator in public affairs where his major responsibilities were monitoring and evaluating social issues and recommending specific programs to deal with them. His responsibilities included speaking to IBM audiences on consumerism and developing a case study for use in management training programs.

In addition to Mr. Webster's work for IBM, he taught Business and Society in the University of Connecticut's graduate business program. He has special training in attitude measurement and change and has co-authored five public issue socio-dramas for industrial use.

WS-1113

In a statement prepared for the Subcommittee on Oversight of the House Committee on Ways and Means, Mr. Webster said "I have had the opportunity to review Treasury's existing consumer plan...it zeroes in squarely on the need to plug the consumer view into the decision-making process and it places responsibility where it must be--in the hands of the Secretary and his bureau and office heads."

Mr. Webster told the Subcommittee he planned to review the Treasury program thoroughly to determine where it can be strengthened. He added that a key element in the plan is the Secretary's support for his right to oppose him publicly if circumstances warrant.

Mr. Webster lives with his wife and two children in Bethesda, Maryland.

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federal financing bank NEWS
WASHINGTON, D.C. 20220
Press inquiries: 202-964-2615

FOR IMMEDIATE RELEASE October 1, 1976

SUMMARY OF LENDING ACTIVITY

September 1-September 15, 1976

The Federal Financing Bank activity for the period September 1 through September 15, 1976, was announced as follows by Roland H. Cook, Secretary:

The Federal Financing Bank made the following loans to utility companies guaranteed by the Rural Electrification Administration:

Date	Borrower	Amount	Maturity	Interest Rate
9/1	Oglethorpe Electric Membership	$5,792,000	12/31/10	8.048%
9/1	Cooperative Power Association	7,000,000	12/31/10	8.048%
9/2	United Power Association	7,000,000	12/31/10	8.037%
9/7	Brookville Telephone Co.	866,000	9/7/78	6.689%
9/2	Southern Telephone Co.	347,000	12/31/10	8.029%
9/8	Colorado-Ute Electric Association	8,500,000	12/31/10	8.019%
9/10	Seminole Telephone Co.	55,000	12/31/10	8.036%
9/10	Western Farmers Electric	8,000,000	12/31/10	8.036%
9/13	Cooperative Power Association	6,000,000	12/31/10	8.018%
9/13	Central Iowa Power Corp.	1,585,000	12/31/10	8.018%
9/14	Tri-State Generation & Transmission Association	6,832,000	12/31/10	8.038%

Interest payments on the above REA loans are made on a quarterly basis.

WS-1114

On September 1, the Export-Import Bank borrowed $121 million from the Federal Financing Bank. The loan matures September 1, 1986, and bears interest at a rate of 7.895%. The proceeds of the loan were used partially to repay $337 million in principal and $77 million in interest due to the FFB on September 1.

On September 3, the FFB purchased from the Department of Health, Education and Welfare (HEW) Series E notes in the amount of $1 million. The notes mature July 1, 2000, and bear interest at a rate of 7.985%. HEW had previously acquired the notes which were issued by various public agencies under the Medical Facilities Loan Program. The notes purchased by the FFB are guaranteed by HEW.

On September 3, the Bank made an advance to the Chicago, Rock Island and Pacific Railroad Company in the amount of $1,900,000.00. The maturity is June 21, 1991, and the interest rate is 8.005%. The loan is guaranteed by the Department of Transportation.

The General Services Administration made the following loans from the Federal Financing Bank:

Date	Series	Amount	Maturity	Interest Rate
9/3	M	$1,572,744.69	7/31/03	8.111%
9/14	L	1,096,734.70	11/15/04	8.090%

On September 3, the FFB advanced $34,109,645.85 to the Government of Korea. The loan matures June 30, 1984, and bears interest at a rate of 7.412%. The borrowing is guaranteed by the Department of Defense under the Foreign Military Sales Act.

The Student Loan Marketing Association (SLMA) rolled over the following principal amounts on loans previously made by the Federal Financing Bank:

Date	Amount	Maturity	Interest Rate
9/7	$20,000,000.00	12/7/76	5.350%
9/14	25,000,000.00	12/14/76	5.362%

SLMA borrowings are guaranteed by the Department of Health, Education and Welfare.

The National Railroad Passenger Service (Amtrak) made the following drawings from the FFB:

Date	Note #	Amount	Maturity	Interest Rates
9/13	7	$100,000,000	12/13/76	5.349%
9/15	8	5,000,000	12/15/76	5.374%

Amtrak borrowings from the Bank are guaranteed by the Department of Transportation.

Federal Financing Bank loans outstanding on September 15, 1976, totalled $25.0 billion.

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STATEMENT BY THE HONORABLE WILLIAM E. SIMON
THE SECRETARY OF THE TREASURY
OF THE UNITED STATES OF AMERICA
AT THE 1976 ANNUAL MEETINGS
OF
THE BOARD OF GOVERNORS OF THE
INTERNATIONAL MONETARY FUND AND
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
MANILA, THE PHILIPPINES
TUESDAY, OCTOBER 5, 1976

Mr. Chairman, Mr. Witteveen, Mr. McNamara, Fellow Governors, Ladies and Gentlemen:

Once again, it is a distinct honor for me to address this distinguished body. We are fortunate to meet in this beautiful land, a nation known for its traditions of warm hospitality and a nation with which the United States has long maintained the strongest of ties and the warmest of friendships.

There is an old Chinese saying, eloquent in its simplicity, which merely says: "May you live in interesting times." Without a doubt, we who are gathered here today have lived through some very interesting times together. The period since I joined the U.S. Treasury nearly four years ago has been one of extreme tension, even danger, in international economic affairs. Repeated shocks threatened the traditions of cooperation that are the foundation of world trade and investment, as well as general monetary stability. Differences among nations over principles and objectives brought into question our ability to preserve a free and open international trade and investment system.

We have witnessed the development of an inflationary virus stubbornly resistant to our attempted remedies; we have experienced an oil embargo and price increases that disrupted the world economy; and, we have lived through the deepest international recession of the postwar era.

We have done much to meet these challenges--but even more remains to be done. Today I would like to discuss both the progress we have made and the challenges we still face.

One of the characteristics that marked this troubled period was a growing recognition of our mutual interdependence. More than ever before, people around the world began to understand that the economy is at the heart of the body politic and that every shock it receives will ultimately be felt in terms of social and political--as well as economic--instability. The result of this new understanding has been that, despite all of the divisive economic pressures unleashed on the international scene in the last four years, international cooperation has not broken down and indeed, in one important area, major reform has been achieved--the first comprehensive reform of the international monetary system since Bretton Woods.

The international economic system is now truly universal, involving all countries, large and small. Between 1950 and 1975, the level of trade among market economies increased from $50 billion to $800 billion. This dramatic expansion of the world economy has coincided with the creation of scores of new nations and new centers of economic power. The price and supply of energy, the conditions of trade and investment, the expansion of world food production, the technological base for economic development are today the shared concern of every nation. And it is clear to me that we will either move forward with trust and cooperation or we face the dangers of retreating into economic instability and nationalistic conflict.

So far, we have followed the correct course of cooperation. And much of our progress is the result of the efforts of the men and women gathered here today. Speaking for myself, I am grateful for the chance that has been mine to serve with you -- on behalf of my government but also on behalf of the ideals we all share -- during this period of re-examination and searching, I am also grateful for the education afforded me over the past four years -- for both the many lessons learned willingly and the few learned not so willingly. But, above all, I am thankful for the high rewards of personal contact and friendship with you, my colleagues, and for the sense of genuine accomplishment that has grown out of our work together.

This brings me to the work that remains to be done. The task before us is a four-fold one:

-- We must restore and maintain economic stability in our domestic economies;

-- We must make the reformed international monetary system work;

-- We must tackle with increased courage and understanding the difficult problems of development; and

-- We must continue to work for a free and open world trade and investment order that is essential to a shared prosperity to all.

As we work together to achieve international economic progress each nation must follow responsible domestic policies to avoid disrupting both its own economy and inevitably those of other countries. Because of its size, this is particularly true of the U.S. economy. Following the most severe economic recession of the postwar era, the U.S. is now 1-1/2 years into a healthy and balanced economic expansion. If erratic shifts and excesses of government actions are avoided, this expansion will continue well beyond 1976, although the rate of growth will naturally tend to moderate.

The strength of the current expansion, that began in the spring of 1975, is indicated by the increase in real output of goods and services which has averaged 7 percent during the last four quarters. The rate of inflation, as measured by the GNP price deflator, has dropped from a peak of over 12 percent in 1974 to the 5 to 6 percent zone throughout 1976. Employment is at a record level of 88 million workers and 4 million new jobs have been created since the upturn in the economy although the unemployment rate remains far too high reflecting the lagged effect of the recession and the extraordinary surge of new workers into the labor force. Despite the wide fluctuations in quarterly statistics, it is clear that a healthy expansion can be continued if policies focus on the longer-term goals of reducing both inflation and unemployment.

As expected, personal consumption has provided the basic thrust for growth throughout the current recovery. Business spending did not accelerate as quickly as originally anticipated, but outlays for plant and equipment now appear to be improving and inventory buying is up to expectations. Government spending at all levels seems to be better controlled, and the strength of export sales has continued, although imports are now rising more rapidly.

This has resulted in a swing in our balance of trade from a massive surplus in 1975 to a substantial deficit in 1976. The United States views this shift with equanimity because we recognize that it reflects the sharp increase in imports that has occurred as our economy has moved from recession to expansion. This adjustment is a proper reaction to changing economic conditions that the international monetary system can handle well if we do not seek to offset the effect of natural market forces.

The recovery to date has remained well balanced. It was never anticipated that specific sectors of the economy -- such as autos or housing -- would dominate the recovery, although sales of domestic cars have been somewhat stronger than expected, which partly explains the accelerated pace of spending early in the year. Nor have widespread capacity constraints or severe raw material shortages appeared at this stage of the recovery.

Best of all, fiscal and monetary policies have been carefully monitored to prevent the excesses that led to renewed overheating of the economy following the temporary benefits of faster growth.

While many called for more government spending and significantly faster expansion of the money supply in 1975 and even this year, the President strongly resisted. As a result, the recovery has proceeded to this point without building up excessive demand pressures for increased output or fiscal and monetary policies which would lead inevitably to a repetition of the familiar boom-and-recession sequence. This unfortuante pattern could be repeated, of course, if unwise policy adjustments are made to turn the economy toward excessive near-term growth. But this negative result can be avoided if responsible policies are followed. We fully intend to guard against a return to the stop-and-go policies that have disrupted the U.S. economy in the past.

Looking to the future, we expect the economic expansion in the United States will continue in 1977, but at a somewhat reduced pace. This is a proper pattern because continuation of the rate of output gains in the 6 to 7 percent zone over an extended period of time would inevitably overheat the U.S. economy, once again leading to a new round of inflation; followed soon afterwards by recession and unemployment. Output gains in 1977 should be in the 5 to 6 percent zone as the output of the economy gradually returns to its long-term rate of growth.

Personal consumption will continue to be the basic strength of the U.S. economy, since it comprises two-thirds of the total GNP, but the rate of increase in this sector will undoubtedly slow down. Business investment and continued modest gains in housing construction will provide most of next year's thrust for additional growth.

We expect inflation to remain at the 5 to 6 percent zone. This is a most unsatisfactory level of price increase and our nation must not and will not accept it. Employment growth should continue, although not as rapidly as during the last eighteen months, and the unemployment rate will continue to decline, particularly as the extraordinary growth in the labor force slows down.

In summary, while there are several worrisome problems to contend with, the likely overall course for the U.S. economy is favorable, assuming fiscal and monetary policies remain responsible. The key to achieving this relatively optimistic goal will be how well inflation is controlled. A resurgence of inflation would quickly erode both consumer confidence and actual purchasing power, which would restrict the personal spending that creates the driving force for the entire economy. In turn, business firms would curtail their spending plans which would erode current economic growth and delay the capital investment necessary for achieving our national goals, particularly the creation of new jobs.

In short, we must guard against a resurgence of inflation if we are to avoid a premature disruption of the economic expansion. This fundamental approach is not based on any obsession with a particular goal but is a realistic recognition that inflation destroys economic stability and leads to recession and unemployment. There never was and is not now a choice between inflation and unemployment. That concept is a fallacy. The real choice is between making steady progress on both inflation and unemployment or of returning to the stop-and-go economic policies that have failed to provide the needed stability in the past. Every nation faces this same problem and we must all strive for more responsible solutions.

The New International Monetary System

I have said in the past that the most important single price in the U.S. is the price of our dollar. The same is true of every national currency. The foreign exchange value of a country's currency plays a significant role in determining what is produced -- exports and imports, the location of production facilities, and capital flows. All of these vital economic factors are, to varying degrees, a function of the exchange rate -- the price of a nation's money. This is why it is important, especially during a period marked by pressures for income redistribution, and a period dominated by industrial, corporate, and national drives for more, that we develop a well-functioning monetary system rather than a series of makeshift, ad hoc arrangements.

A system means an agreed charter -- a basic understanding among nations on the principles of behavior -- that provides the framework within which we operate. But such a charter is only the beginning. Over time, the development of a system also involves the development of a code of behavior based on generally agreed-upon principles. Such a code must adapt to changing circumstances, but in any case must always adhere to the agreed broad principles.

What are the alternatives to this type of system? One alternative involves specific rules but no agreement on underlying principles. In the absence of any anchor of principles, this would mean a process of continuous negotiations and new rules. Another alternative would be to have no agreement on either principles or codes. In the U.S. this is referred to as the "law of the jungle."

It is not naive to believe in the need for an operating monetary system. It is not even idealistic. To me, it is the essence of pragmatism. Some of you can recall the disastrous process of competitive devaluation so prevalent in the '30's that became enshrined in the phrase "beggar-thy-neighbor." We have learned and relearned that the law of the jungle means that we all lose, regardless of size, power, or efforts at isolation.

We all recognized this at Jamaica. That was why we agreed on a system. Before describing the results of our efforts and discussing implementation of the system, I think it would be useful to review what we want from a monetary system -- what should it provide? There are three overall objectives.

First, the system has to be designed so that it facilitate the international flow of goods, services, and capital. It should be an open, liberal system that enables all nations to capture the benefits of international trade, the paramount benefit being the higher living standards for all that result. It should facilitate the transfer of capital, and insure its mo efficient use, the end result again being higher living standards for all. Most importantly, the system has to operate continuously. Its success must not depend on just the right combination of favorable circumstances. It must be more than a fair weather system. It must be able to function in the economic and financial equivalent of hurricane weather.

Second, the system in both its design and its operation must have a built-in equilibrium. It should engage forces that reduce tendencies toward permanent disequilibrium, in the form of structural surpluses or structural deficits in current accounts. The symmetry of which I speak cannot simply be designed -- it must be operational. A system that looks perfect on the drawing board but fails in actual performance is no answer.

Third, the system must help rather than hinder individual efforts toward economic stabilization -- it must encourage stability rather than foment instability.

The efforts of this group have, for almost four years, been concentrated on designing an international monetary system that will meet these objectives. We have now completed that work. The framework is built. The architecture is complete.

Together we have constructed an international monetary system that is sound in structure, right in approach, and complete in a constitutional sense. That system remains firmly centered on the IMF, and firmly based on the liberal trade and payments philosophy of Bretton Woods. It remains a global system, in which all members subscribe to the same standards of responsible international behavior, and in which all members are treated uniformly. We now have a system which has flexibility and resilience, and which can function well in the years ahead without further structural amendments.

We have changed, and changed profoundly, both monetary doctrine and the structure of the monetary system, in a way which better conforms to present objectives. Three fundamental alterations can be highlighted -- the approaches toward adjustment, exchange stability, and gold.

Influenced heavily by the imperatives of experience, we have come to realize that exchange stability cannot be imposed or forced on nations by the establishment of fixed exchange rates. We have embraced the concept that stability will result only from responsible management of underlying economic and financial policies in our countries. We see more clearly that market forces must not be treated as enemies to be resisted at all costs, but as the necessary and helpful reflections of changing conditons in a highly integrated world-economy with wide freedom for international trade and capital flows. We recognize -- as proved by events in many countries in recent years -- that without stable underlying economic and financial conditions, no amount of exchange market intervention will assure stability, but that <u>with</u> stable conditions, little or no such market intervention would be needed.

The new system thus calls for each of our nations, large and small, developed and developing, to concentrate on achieving sound, non-inflationary economic growth. There is no other answer to our desire for stability. Also, we must each permit our performance in domestic policy to show through -- to assure that governmental efforts to resist or moderate the operations of market forces do not distort our relative economic positions and become a source of instability once again. This applies of course to avoidance of the use of controls over international trade and payments, long a basic objective of the Bretton Woods system. But it also applies as much or more to governmental action to restrict the operations of market forces through the exchange rate mechanisms.

In short, a country with an unsustainable deficit should resort to internal stabilization accompanied by exchange rate change in response to market forces; a country with a tendancy toward surplus should not simply accumulate reserves but should allow its exchange rate to move in order to accommodate these fundamental adjustments of others. Only then can we have effective international adjustment and the built-in equilibrium and stabilization which an international monetary system requires. The inexorable fact is that the implementation of our new system -- or any system -- will succeed or fail as a consequence of the soundness and prudence of the policies our individual governments pursue. There is no other source of stability, no external entity to which nations can turn as they address the challenges they face today.

Our historic decision to phase out the monetary role of gold and to provide for a greater role for the SDR, also is a source of strength in the reformed system. By doing so, we eliminate a major element of instability in the monetary system. Removing gold from the center of the system, eliminating the requirement that gold be used in IMF transactions agreeing to initiate the process of disposing of IMF gold, the G-10 agreement to avoid pegging the price of gold or increasing total gold holdings are all steps toward realism, and a more rational as well as stable monetary system.

While we have made fundamental changes, the Jamaica agreements constitute a reform and not a revolution. Our changes are less of a grand design than Bretton Woods, and appropriately so. We have not discarded all the concepts or replaced the institutions of the Bretton Woods order.

Most importantly the IMF retains a unique and indispensable role in the provision of conditional credit. It is a different role from that of 30 years ago, reflecting the different world of today, and the growth and development of private international capital markets which now do and should provide the bulk of international lending. The fund's financing is today more clearly a supplement to other sources. But the conditionality of IMF lending places on that institution a special role and special responsibilities which are critical to international adjustment and a smoothly operating international monetary system.

It is to the operation of our monetary system that we must now shift our attention. The construction of the system, the architecture, has been an essential step. It has been an intellectually stimulating exercise. But we must move ahead to the operational stage. We must, on the basis of the principles of our new constitution, develop workable operating practices. No aspect of the IMF's work is more important.

A central feature in the operation of our new monetary system is the IMF's surveillance of members' exchange rate policies. The new Article IV places heavy emphasis on IMF surveillance to assure that members comply with Fund obligations and that they avoid manipulative exchange rate practices. It is essential to the successful functioning of the system that this surveillance be performed in a sensible and effective manner. Working out the techniques of surveillance is the Fund's next major task.

Some have said that precise guidelines for IMF surveillance of members' exchange rate policies should have been delineated in the Articles. I disagree. The Articles, after all, are meant to serve as an international constitution, not a commercial contract. Even if we were agreed on precise guidelines, it would be wrong to incorporate them in the Articles -- we learned from Bretton Woods the difficulties of a charter containing detailed rules.

But more importantly, it is neither appropriate nor possible to undertake this important job of Fund surveillance through the application of detailed rules and formulas. Such formulas cannot be equitably applied to economies that differ as profoundly as in the IMF membership. Where the largest member has a gross national product some 60,000 times larger than the smallest; when some have no capital markets while others have highly developed and sophisticated markets; where price elasticities and income elasticities can vary widely, rigid formulas simply won't work.

Similarly, I do not agree with those who would call on the fund to delineate hard and detailed rules by which each member country's performance with respect to exchange rate policies would be judged. We do not have the capability, the experience, or the knowledge, to develop such a set of rules to be applied across a broad spectrum of individual national situations.

Nor would I agree with those who would call on the Fund to attempt to determine a set of "target" exchange rates toward which each nation's policies should be directed. There are those who believe that a comparison of statistical data on prices or costs in individual countries can reveal appropriate exchange rates. That approach is subject to insurmountable difficulties, both theoretical and practical. While it may indicate that some rates are inappropriate, it cannot be depended on to indicate what rates are proper. It is tantamount to continuous renegotiation of a par value system, based on statistics which are of necessity both partial in coverage and backward-looking in approach. In practice, it may prove to be nothing more than a veiled approach to a return to fixed rates.

There are those who are nostalgic for the good old days and may translate this nostalgia into a desire to return to the par value system, thinking that fixed rates would bring stability. I would suggest that such beliefs are an illusion. Think again of the chaos and disorder of the closing years of the Bretton Woods system. Think back to those days of market closures which disrupted trade and commerce. Remember, too, the hurried attempts to patch together some solution so that markets might open again. Think back to the duration and difficulty of the Smithsonian negotiations and the tensions associated with those negotiations. Then think back over the last four years of unparalleled flows of money, massive increases in oil prices, inflation, recession, balance of payments problems. Just imagine the old par value system trying to accommodate those strains.

The Fund should, in its surveillance of members' exchange rate policies proceed by a careful and evolutionary approach. It should cultivate more fully its consultative processes, and refine its procedures for monitoring countries' behavior. Rather than adopting a sweeping pre-conceived, rigid economic code, we need to construct, through a case-by-case approach, a common law based on case history. If we proceed in this manner, we will be able to delineate broad principles of behavior that can be elaborated on the basis of experience. The development -- and the acceptance -- of these principles cannot be forced. But over time workable codes can be expected to emerge, through consultation with members and through the monitoring of their activities.

I urge the Fund to proceed cautiously in this work. The world faces a new situation, in some ways a dramatically different situation from the past. In this case the lamp of history may not provide the best light to guide us in the future. Our experience is drawn from a past that may not be fully relevant, and our attempts to distill this experience into detailed blueprints for the future may be more harmful than helpful.

The adjustment process is another area in which action is imperative. The international financial system has performed that task of recycling funds from surplus countries to deficit countries with efficiency. The elasticity of our financial system has provided us with the time to correct structural maladjustments. This time must not be wasted. Recycling of funds from surplus countries to deficit countries can continue only to the degree that countries borrowing to finance external deficits can obtain credit. This in turn can persist only so long as lenders remain confident that borrowing countries can repay specific obligations on schedule and service their overall debts.

Frankly, we have not made sufficient progress toward adjustment. Although there have been cases of countries adjusting to higher oil prices and global recession, a substantial number of countries have preferred to delay adjustment and borrow abroad to finance consumption, and have thus continued to run the large external deficits which first appeared three years ago.

Unless there is some dramatic change in the outlook, the world payments pattern next year will strikingly resemble that of 1974 -- the first year of abnormally high oil prices. Indeed if the oil producing nations take, as is now rumored, the dangerous step of again raising the price of oil, it would seriously aggravate an already troublesome economic and financial situation. Even without an increase in oil prices, the aggregate OPEC surplus in 1977 will again be $50 billion or more, while deficits in the industrial OECD countries would be on the order of $35 billion, and the oil importing developing countries in the range of $12 to $15 billion.

The 1974 deficits were successfully financed -- to the surprise of many doomsday forecasters -- as the international financial system displayed unprecedented flexibility and resourcefulness. However, we are approaching 1977's look-alike payments numbers under substantially different circumstances. Aggregate OPEC surpluses of nearly $150 billion from the beginning of 1974 to the present have been reflected in increased external debt by oil importers. The bulk of the heavy international borrowing has been of short- to medium-term maturity, and will in many cases need to be rolled over or refinanced. And as debt grows to finance the continuing deficits, an increasing number of countries which have delayed adjustment will approach limits beyond which they cannot afford to borrow and beyond which prudent creditors will not lend to them. This is a serious matter and it cannot be ignored by lenders or borrowers.

There is still time to act, but we must be cognizant of the choices. One unrealistic possibility that has been mentioned involves widespread debt forgiveness or rescheduling. In reality, this is no choice at all. From time to time circumstances may require a debt rescheduling on the part of an individual country. But a wide scale approach of this type involving a number of countries or even several in a group can only result in substantial damage to practically all international borrowers. Lenders would regard -- I think appropriately -- such an approach as *ipso facto* increasing the risk attached to new lending operations. The result would inevitably be a reduction in the availability of private credit to broad categories of countries, a reduction that would inevitably have a widespread contractionary effect on economic activity.

Another dangerous alternative that has been mentioned by some would be to create large amounts of new official liquidity -- a kind of international monetary printing press. Ironically, this would have the same effect -- it would ultimately be contractionary, although in the first instance it might have an expansive effect. Eventually, and probably with more speed than many suspect, the creation of excessive international liquidity would destroy the stabilization efforts which many of us have underway. For, in the United States, and I believe in many other countries, we have found that a high rate of inflation and prosperity are mutually exclusive.

The third course -- and the only one which I believe holds the promise of success -- involves a combination of adjustment by individual countries, some slowing in the rate of private international lending, and moderate provision of official financing on a multilateral and conditional basis. Fortunately, a floating exchange rate system can respond to changes in underlying economic and financial conditions in a climate devoid of crisis. The resultant flexibility provides a useful tool for adjustment. But it is only effective when linked with meaningful programs of domestic economic and financial stabilization. There is no substitute for such adjustment, and countries that do adjust can look forward to durable, non-inflationary growth. The IMF can contribute to this process of adjustment. The Fund has both the expertise and the financial resources to assist in the development of overall stabilization programs and provide conditional credit to bridge the time from the start of an individual country's stabilization effort to its favorable end results.

It seems to me the only way that we can proceed without damaging ourselves and our friends and neighbors is to hold to this third course and immediately introduce where needed appropriate policies for adjustment.

Development

Our approach to the international monetary system has placed responsibility for the achievement of international monetary stability on the domestic policies pursued in each country. Our approach to economic development also places primary emphasis on the policies and efforts of each individual developing country.

At the heart of our policy is the concept of shared prosperity. This concept involves a mutually beneficial approach to development in today's interdependent world. In application, this approach means not only direct aid but, most importantly, a liberal trading and investment system.

We do not regard indirect resource transfer schemes -- such as generalized debt rescheduling, price indexing, and commodity funds -- as the best means to provide resources to the developing world. To the contrary, such proposals are likely to lead to inefficiencies and distortions which will make most (if not all) worse off.

I have already commented on the likely adverse impact of broad debt rescheduling schemes. With respect to commodity policy, we have stated on many occasions that we favor a case-by-case approach to the problems of individual commodities, and in particular a careful examination of the applicability of the buffer stock approach. Specifically we must ascertain whether the operation of a buffer stock is likely to lead to improved market operations or to a structurally higher level of prices for the commodity involved.

If it leads to structurally higher prices it helps a few countries, including those developed countries that are producers, but it hurts the larger numbers of consuming countries, both developed and developing. Even in the case of developing countries that produce the commodity, the "help" provided has a high cost. Funds used to finance the build-up in inventories could have been used for development purposes. To the degree that an artificial price level results, incentives to develop and use substitutes increase. Perhaps most important, the producing country allocates labor and capital to production on the basis of an artificially high and unsustainable price.

In the area of direct resource transfers, the United States has long been in the forefront of those assisting in the economic and social progress of the developing world. Much of what we have done has been governmental -- through our bilateral as well as multilateral aid programs such as IDA.

I can assure you that the United States will continue its leadership in this area. Not only will we continue, but we will strengthen our bilateral aid program, and we will continue our strong support for the international development banks. Our commitment to IDA and to a financially strong IBRD cannot be questioned. With respect to the regional banks, I am pleased that we have just received funds from the Congress to join the African Development Fund. We are now participating in a major new replenishment in the IDB. Here in Manila -- the home of the Asian Development Bank -- it is particularly gratifying to reiterate U.S. support for that institution. I was pleased to note, in a recent Development Committee report, that loan commitments in all these banks will increase from $8.3 billion to about $12.6 billion from 1975-1980, or 50%, with the concessional share of the total increasing, also.

The American partnership with developing countries and development prospects of all countries depends even more importantly on our trade and investment links. The world-wide demands for capital in the period ahead will be massive and the competition fierce. Countries which wish to attract investment capital will find that establishing the proper domestic climate is essential. Countries which raise impediments to capital flows will simply not be able to meet the competition. The experience of many countries illustrates how this can properly be done. Countries and peoples as varied as the Taiwanese, the Brazilians and the South Koreans have dramatically raised their living standards and expanded their economic base. They have done so not only because of the amount of help they received, but because of the care and self-discipline they used in putting that help to work. Others can do the same, but only with the realization that developmental help involves a partnership and -- like all partnerships -- requires the best intentions and the best efforts of both partners in order to succeed.

We must all recognize that individual national economies can best achieve the goal of sustained non-inflationary growth in a free and open international trading system. We need an open world market to allocate raw material and capital resources efficiently in order to supply abundant goods and services to all of our people at non-inflationary prices. All the aid we can give will not help if it does not foster a prosperity shared by all. Achieving such a prosperity will require the close cooperation of both industrial and developing nations. We must, therefore, join together aggressively in the Multilateral Trade Negotiations to take concrete and significant steps to eliminate tariff and non-tariff barriers to trade.

As these areas for cooperation between developed and developing countries evolve toward greater mutual advantage, we must preserve the fundamental principles -- such as reliance on market forces and the private sector -- on which our common prosperity depends. Solutions must be dynamic and have widespread benefits. Thus, we must seek increased production and improved efficiency, not just transfer of wealth. Development assistance should be thought of, not as an international welfare program to redistribute the world's wealth, but as an important element of an international investment program to increase the rate of economic growth in developing nations and to provide higher living standards for the people of every nation.

In a sense this can be thought of as a process by which developed countries devote a portion of their savings to developing countries. The impact of this type of direct transfer depends on the amounts involved, the uses to which these funds are put, and the effectiveness with which the recipient countries implement development efforts. If these funds are devoted to financing a higher level of consumption than a given country can earn, it means only a short-lived improvement in living standards; if these funds are devoted to investment, the result will be a permanent gain in well being. This is especially the case in a system which allocates financial resources to areas of maximum benefit.

More specifically, in considering how the present system might be improved to the mutual benefit of all nations, we should be guided by the following principles:

-- Development by definition is a long term process; increased productivity, stemming from capital formation and technological advance, is the basis of development, not transfers of wealth which can only be one time in nature. Foreign aid can help, but such aid can only complement and supplement those policies developing countries adopt, which in the end will be decisive.

-- The role of the private sector is critical. There is no substitute for a vigorous private sector mobilizing the resources and energies of the people of the developing countries.

-- A market-oriented system is not perfect, but it is better than any alternative system. In general the effort should be to improve conditions for the developing countries -- both internally and externally -- by removing unnecessary and burdensome government controls, not by imposing additional barriers and impediments to market forces.

-- A basic focus must be on increasing savings and making the institutional and policy improvements which will enable the financial markets to channel those savings into activities that enhance the opportunities for people to live better lives.

The World Bank Group

With these principles in mind, let me turn now to issues concerning the World Bank Group. These institutions play a central role in international cooperative efforts to promote economic progress and development. While their role as suppliers of development capital is a very important one, their contribution to the development process itself is equally important. Economic policies in developing countries -- with widely different economic regimes -- have greatly benefited not only from the financial support but also from the advice, encouragement and technical expertise of the World Bank Group. To the degree that these institutions are successful in helping to bring about sounder, more consistent, and more effective domestic policies in countries to which they are lending, they multiply their effectiveness as development organizations. Strong and clear U.S. support exists for the institutions which comprise the World Bank Groups not only because their objectives are laudable, but also because they have proven themselves to be effective agents of policy improvement in the countries in which they work.

In looking at recent developments among the member institutions of the group, I am greatly pleased by the agreement providing for a capital increase for the International Finance Corporation. The key role of the private sector in the developing countries underscores the importance of this proposal. As President McNamara pointed out yesterday, the poorest countries of the world have financed almost 90 percent of their development investments out of their own meager incomes. The capital increase will enable the IFC to expand greatly its ability to encourage private capital flows in these poor countries. As we all know, IFC's participation in projects has a considerable multiplier effect -- $4 for every $1 of its own -- through the associated private investment. The capital increase implies about $5 billion in cumulative commitments over the next ten years in the private sectors of the developing world. I hope tht the IFC capital increase can be formally ratified by the Board of Governors quickly to permit this expansion to begin.

I am pleased also by the agreement reached on a selective capital increase for the World Bank. The Bank is a unique financial institution -- publicly capitalized but privately financed for the major portion of its lending operations. While the paid-in and callable capital from its member governments are important assurances of solvency to its creditors, the Bank is able to operate actively and extensively on its own footing. In our view, the excellent reputation of the Bank and its sound financial condition give it the capacity to raise very substantial sums in private capital markets for relending to its borrowers. We are pleased that, in the course of the negotiations on a selective capital increase, agreements were reached on the lending program and the lending rate which I believe will continue to strengthen the financial position of the Bank.

During those negotiations, it was agreed that Bank commitments would not be increased above the level which could be sustained indefinitely without a further capital increase. I do not believe that this important principle should now be redefined.

With regard to the lending rate formula, I realize the temptation that exists to hold rates and charges on Bank loans to a minimum, but in the long run neither the interests of the Bank nor those of its borrowers would be well served by such a policy. Continued sound financial practices by the Bank are the best guarantee that it will maintain the reputation which gives it the very favorable access to capital markets that it enjoys. Thus, the Bank will remain in a position to be responsive to its clients' needs tomorrow. Also, as Bank reserves continue to grow, the time will certainly come when increased transfers or its earnings can, and should, be made through IDA for the benefit of its poorer member countries.

I should note at this point that we remain very interested in the Bank's continued study of the lending formula. While we believe the current formula is sound, we are prepared to consider an improved version. I might add that the United States supports the use of the lending rate formula, not only in the World Bank, but in the regional banks as well. The Inter-American Development Bank recently approved a similar mechanism; and the Asian Bank has taken an interim step leading toward a final decision early next year.

I would like to turn now to the question of the future of the Bank, which I believe quite properly is now on the international agenda. In thinking about the future of the Bank as a development institution, the continued strength of the Bank as a financial institution must be given paramount importance. The Bank is now entering a new financial era as its disbursed loans outstanding have begun to reflect the rapid growth in commitments since 1969. The financial consequences of an expansion of annual loan commitments from less than a billion dollars in 1968 to this year's $5.8 billion are substantial. Even holding that commitment level constant indefinitely, loans disbursed and outstanding will grow from $13.6 billion on July 1 of this year, to some $26 billion in 1980 and to over $40 billion by 1985. To finance this expanded portfolio, the funded debt of the Bank must grow accordingly. This is the financial challenge the Bank faces. I know how demanding this challenge will prove as the Bank continues its preeminent position in the world's capital markets.

The Bank has in the past made an invaluable contribution to qualitative improvements in the development efforts of its borrowers. Key development problems -- restraining population growth, improving the efficiency and equity of domestic tax collections, bringing small farms more fully into the growth process, and others -- remain unsolved in many countries. The success of the Bank in encouraging policy improvements in such areas will have a substantial impact on the productivity of Bank lending. The Bank needs to monitor its own policy and practices to make sure that its effectiveness in this objective is maintained.

The current situation also presents an excellent opportunity for the Bank to expand its role in generating complementary financing for its projects. In the future the Bank might well play a role of decisive importance by helping to mobilize substantially increased long-term development credits from the private sector. I see untapped potential for the Bank in this direction and I would urge that intensified work on this issue be promptly initiated.

The United States in no sense envisages a static role for the Bank, which we believe can and should remain the leading development institution in the world. We are prepared to take an active and constructive part in a frank dialogue on the future role of the Bank. I would urge that in considering the Bank's place in a world that is changing rapidly, our intellectual net be cast wide enough to capture significant new directions of Bank activity. In this process, we are committed to doing everything we can to assume that the Bank meets the challenges of today and tomorrow. I am confident that by addressing the important questions forthrightly, the Bank can assure itself for many years to come of a continuation of the leading role in the international cooperative effort to promote growth and progress in developing nations.

Also, the future of the International Development Association is of critical importance. Now that our Congress has acted favorably on our fiscal 1977 appropriation request for IDA, the United States is in a position to participate actively in negotiating an IDA-V agreement. I am confident that with good will and understanding these negotiations can be successfully concluded during this next year and I am fully confident that my government will be a generous participant in any arrangements agreed upon.

We recognize the urgency of the IDA problem, and our commitment to IDA can't be called into question. Certainly the replenishment of IDA funds, which support the poorest nations remains a priority concern of my government. Of special concern to us is the fact that IDA's commitment authority will end after June 30, 1977.

While progress has been made in international discussions, we have not reached an agreement on an IDA-V package, including magnitude, shares, voting rights, and sign-up procedures. Reaching such international agreement will take time. Moreover, the United States is not alone in having legislative procedures for subsequently ratifying such international agreements that will also take time.

While it is important to push forward on these negotiations of IDA-V -- and we intend to intensify our negotiating efforts -- we must recognize that the completion of these negotiations and the necessary legislative action in all our countries by July 1, 1977 cannot be assured. Therefore, in order to avoid a gap in IDA's commitment authority next year, and to inject some momentum into the IDA negotiations, I would propose that not later than January, we negotiate a bridge agreement which may be considered a precommitment to IDA-V, and I would hope that prospective new members of IDA will voluntarily make contributions to this bridge agreement. In my view, this should be a primary subject of discussion at the Kyoto meeting of IDA Deputies next week so that IDA does not run out of money next June.

Conclusion

In meetings such as this we naturally and inevitably concentrate our attention on international issues of great significance -- providing for a reformed international monetary system, or determining future policies of important institutions such as the IMF and the World Bank. In the final analysis, however, what really counts for each of our countries and for the world economy is how efficiently we all manage our own domestic affairs. International cooperation provides a framework of opportunity; individual countries in various ways and to varying degrees seize that opportunity. In all countries -- developed and developing, industrial and agricultural oil-rich and resource-poor -- economic policymakers are confronted with many similar kinds of issues and dilemmas. A country's performance is not predetermined by its level of income or stage of development alone. Just as pertinent is how the tough issues of economic policy that we all face are resolved.

Unfortunately, good economics is not always perceived to be good politics. My experience has been that politics is an art with a high rate of discount. And while the payoff to good economics is real, it takes time. This lag, as the economists call it, is a politician's nightmare. Fortunately, I think that more and more people now understand that this is the case -- and I sense growing suspicion of the proposed instant solution, the quick fix. In a world of unlimited demands and limited resources, finance ministers not only are inevitably unpopular, but indeed cannot afford to be popular. We are frequently required to be the bearers of bad tidings to our political masters -- to reiterate the unpleasant but inescapable fact that resources are scarce while wants are limitless. It is our lot, whatever our country's economic system and whatever its circumstances, to speak out for financial responsibility -- to call for prudence in an age of fiscal adventure.

Announcement of dramatic new programs is greeted with great fanfare; the management of sustained, stable growth is a bit like watching the grass grow. Yet, in the end, it is sustained, stable growth that does the most good.

To be sure, for a time an increased inflow of real resources from abroad may enable a country to postpone the hard choices among competing domestic claims, in the process running down assets and/or accumulating debts abroad. But sooner or later, the bills come due -- the adjustment I have spoken of earlier has to be made. There simply is no substitute for the hard decisions and the careful husbanding of resources that finance ministries traditionally espouse.

As we meet today we can point to tangible evidence that we have been more than nay-sayers over this past year and more. In the monetary area, through our collective efforts, we have put into place a new structure for the international monetary system, one with the flexibility to accomodate rather than impede, the efficient working of the international economy so that trade and capital can serve their full role as engines of economic growth and progress. In trade we have made progress in the Multilateral Trade Negotiations to reduce barriers and insure fair and orderly rules for the internationaltrading system. In energy, the industrial countries have joined together to coordinate efforts to reduce our dependence on imported oil. We have also established a framework of cooperation with the oil producing countries. In the relations between developed and developing countries, we are fashioning positive cooperation that will further strengthen the world economy. Finally, we have all avoided restrictions on the free flow of capital at a time when pressures existed to create impediments.

In my stay at Treasury, I have seen the world economy pass through some extremely rough weather. Our management, though imperfect, has enabled us to survive -- and a bit more.

We survived in the sense that our economies did not collapse, markets continued to function, and we avoided a wave of restrictions on flows of goods and capital among nations. This achievement in itself was considerable. But beyond that, the foundation we have laid can lead to a great deal more -- if we do the right things from here on.

We all know that the present situation has both risk and opportunity. We should not fear the risk and we must not fail to grasp the opportunity. Much has been accomplished -- much remains to be accomplished. With determination, we can now strengthen the foundation of individual economic stability. With courage, we can eliminate restrictions on trade and investment, in recognition of our interdependence. With patience, we can work together and find the proper balance of opportunity and responsibility for rich and poor alike that is essential in today's world.

Let us commit ourselves here in Manila to this effort. As we do, I believe we can all look to the future -- a future of shared prosperity for all -- with confidence.

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HINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE

TREASURY ACTS TO REVISE
FOREIGN CURRENCY FORM

October 5, 1976

The Treasury has taken action under the President's Program for Reduction in Public Reporting to relieve an estimated 120 nonbank firms of the necessity of reporting foreign currency positions on Form FC-3, Gerald L. Parsky, Assistant Secretary (International Affairs) announced today.

The revisions to Foreign Currency Form FC-3, as approved by the Office of Management and Budget, will reduce the number of firms required to report by exempting small businesses employing under 100 persons and raising reporting thresholds to $2 million equivalent for U.S. firms and $400,000 for the principal respondent and its domestic branches, partnerships, and subsidiaries. The present thresholds are $1 million for U.S. firms and $200,000 for their domestic branches, partnerships, and subsidiaries. Other revisions exclude investment in majority-owned foreign subsidiaries from the category of "Other Assets" and change the definition of spot foreign exchange contracts.

The amendment to the Treasury Regulations was published in the October 4, 1976 issue of the Federal Register and will take effect on November 1, 1976. The requirement for separate filing on Form FC-3a has been deleted by this amendment.

In October, supplies of the revised forms will be mailed to all firms currently reporting on Form FC-3/3a. Reports by nonbanking firms in the United States are required to be submitted on the revised form concerning data as of the last business day of November 1976.

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WS-2016

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

Contact: J.C. Davenport
Extension: 2951
October 6, 1976

FOR IMMEDIATE RELEASE

TREASURY ANNOUNCES TWO ACTIONS UNDER THE ANTIDUMPING ACT

The Treasury Department announced today two actions under the Antidumping Act. In the first action, Acting Assistant Secretary Peter O. Suchman announced the initiation of an investigation with respect to imports of parts for self-propelled bituminous paving equipment from Canada. Notice of this action will be published in the Federal Register of October 7, 1976.

The announcement of the initiation of the investigation followed a summary investigation conducted by the U.S. Customs Service after receipt of a petition in proper form alleging that dumping was occurring in the United States. The information received tends to indicate that the prices of the merchandise exported to the United States are less than the prices of such or similar merchandise sold in the home market.

Imports of the subject merchandise enter under a basket provision of the tariff schedules; those imports from Canada are estimated to be approximately $2 million annually.

In the second action, Under Secretary of the Treasury Jerry Thomas announced an extension of the investigatory period with respect to metal-walled above-ground swimming pools from Japan. Because of the complicated nature of the case, the investigatory period is being extended from 6 months to 8 months. Notice of this action will also appear in the Federal Register of October 7, 1976. A tentative decision was to have been made by October 21, 1976, but will now not have to be made until December 21, 1976.

Imports of the subject articles from Japan amount to roughly $4.5 million annually.

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WS-2017

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FOR RELEASE UPON DELIVERY

REMARKS OF J. ROBERT VASTINE
DEPUTY ASSISTANT SECRETARY OF THE TREASURY
FOR TRADE AND RAW MATERIALS POLICY
BEFORE
THE AMERICAN SOCIETY OF AGRICULTURAL CONSULTANTS
HOUSTON, TEXAS
OCTOBER 7, 1976

The Challenge of a Global Food Economy for American Agriculture

I welcome the opportunity to meet today with such a knowledgeable and distinguished audience. You have asked me to talk about the global food economy from the vantage point of the Treasury Department, and to discuss in particular how our international economic policies, including particularly international monetary policies, affect U.S. agriculture.

I would like to begin by contrasting the domestic agricultural policies and the international monetary and trade system which affected our agricultural trade prior to 1970, with the "system" with which we are operating today, and on which we intend to build. The essence of the difference is that we have moved generally from government intervention in markets to implementation of an open market philosophy. We believe this philosophy is more consistent with the needs of a rapidly changing international economy, and more apt to improve efficiency, increase production, and stimulate growth for the benefit of all nations.

The "Old" System

The international framework for trade and monetary relations at the beginning of the 1970's was based upon two major understandings which were developed in the aftermath of World War II at a time when stability and economic recovery were our major goals for the world economy. The Bretton Woods understanding governed international monetary relations among the industrialized nations; the General Agreement on Tariffs and Trade (GATT) governed our trading relations.

WS-1118 NOTE: Due to error, Treasury Releases 2000 through 2017 should be renumbered 1100 through 1117. This release, Treasury No. 1118, starts the correct sequence.

On the monetary side, the Bretton Woods system fundamentally sought to promote stability through the maintenance of relatively fixed rates of exchange among the currencies of member countries. Monetary authorities were to keep the exchange rates within one percent of the par value by buying or selling their currencies, and to pursue domestic policies that would facilitate the maintenance of these par values, borrowing from the IMF where necessary. The par value itself was not altered unless and until it became inescapably clear that a fundamental change in economic relationships had occurred. Even these changes were made with great difficulty and inevitably were the cause of disturbed and disrupted markets. Too often, countries tried vainly to forestall exchange adjustments by imposing restrictions and export subsidies, thereby creating the very distortions that the "stable" Bretton Woods system was supposed to prevent.

On the trade side, the GATT established a basic system of rules regulating government intervention in international trade, together with a schedule of tariff commitments on individual goods. If these commitments were violated, GATT provided certain rights of compensation or retaliation to the exporting nation. The basic principle of the trading system was equal treatment for <u>all</u> nations (or most-favored-nation treatment). Agriculture, however, had always been treated as a special case. Tariff reductions mainly affected industrial goods. And agriculture was significantly excepted from some of the major GATT regulations -- notably prohibitions on export subsidies and import quotas. The situation for agriculture was made more difficult by the building during the 1960's of the CAP, which the "Kennedy Round" trade negotiations were unable to affect.

As a result, all the major agricultural producers were free to pursue domestic agricultural policies which incorporated a high degree of government intervention. Our domestic grain policies were a good example of what was happening in other countries. We supported farm prices at home through government purchases of surplus production, resulting in the accumulation of massive stocks. To reduce excess production, we developed land diversion programs and even paid farmers not to plant on certain acreage. Internationally, our Government had to offer export subsidies and impose import restraints to cushion the influence of world price changes on farm returns.

For many years this system worked reasonably well. There was an unprecedented growth in world trade. We were able to liberalize and expand substantially trade in industrial products. Our farm prices at home were fairly stable and predictable. We became accustomed to assuming a fairly constant and substantial share of foreign markets for our agricultural products -- though often not as large as we would have liked.

Response to New Economic Events

In the early 1970's all of this changed dramatically in reflection of major changes in underlying economic and political forces, some of which had been at work for well over a decade:

- the recovery of Europe from the devastation of World War II, and the emergence of Japan as a major world economic power.

- massive "dollar glut" abroad and a balance of payments deficit for the United State of $30.5 billion in 1971 alone,

- recurrent monetary crises,

- increased use of controls on capital and trade movements to maintain exchange rate stability, and rising protectionist sentiment.

These and other developments were ample evidence that postwar monetary arrangements designed at Bretton Woods to promote growth in a liberal trading and financial environment were breaking down. On August 15, 1971, the United States closed the gold window and thus signaled the beginning of a major reform of the international monetary system.

You are all well aware of the series of major and unexpected agricultural developments during this period: Massive grain crop failures coincided with the failure of the Peruvian anchovy catch; increased incomes translated into a higher demand for meat (and hence multiplied world demand for grain); the Soviet Union decided to increase livestock production to satisfy new consumer demands and entered our markets for substantial purchases of grains; other nations, too, stepped up their imports; world stocks fell precipitously and commodity prices skyrocketed.

To add to the uncertainty in world markets following 1973, the world experienced a quadrupling of oil prices, rapid and widespread inflation, recession, unemployment, and intense pressures to impose unilateral trade restraints to protect domestic producers. What would these mean for our agricultural trade?

The turmoil and rapid change of the early 1970's taught us a major lesson: the world economy was no longer the stable, predictable one that postwar economic arrangements had attempted to construct. It had become inescapably clear that basic changes in our policies were required to deal with the everyday realities of world markets. These changes took place in new monetary arrangements, through trade negotiations, and were reflected as well in new domestic agricultural policies.

International monetary negotiations commenced soon after the U.S. introduced its New Economic Policy in August 1971. The Smithsonian Agreement in December of that year effected a realignment of exchange rates and initiated discussions on longer term reform through the International Monetary Fund. These rates were again changed in February 1973 and by mid-March 1973 all of the major world currencies were floating, with rates determined principally by market forces. This system has been in place since, and a major effort of the U.S. has been to perfect it. Indeed a central purpose of the annual meeting of the IMF/IBRD, which has just concluded in Manila, was to create new mechanisms to help assure that this new system works.

A new round of international trade negotiations was formally opened in Tokyo in the fall of 1973. And domestically the U.S. made bold changes in its agricultural policies to meet the demands of a dramatically different economic climate.

The Situation Today

Today we seek to implement international economic policies that are aimed at creating a more open, more efficient domestic and world economy based on international cooperation.

The agreed new international monetary system is a sound basis for moving us toward this goal. It provides for greater flexibility, resilience, and increased reliance on market mechanisms by permitting nations to adopt a range of exchange rate practices; (including floating, arrangements like the EC snake, and pegging to another currency, a basket of currencies, or the SDR) provided, however, that nations fulfill certain general obligations directed at achieving orderly underlying economic conditions and avoid the manipulation of exchange rates to gain unfair competitive advantage.

We will no longer attempt to impose monetary stability upon nations from without, through fixed exchange rates. Indeed, our new system recognizes that exchange rates will move in response to market forces, and that efforts to postpone adjustment by managing or fixing exchange rates will almost surely fail under the pressure of rapidly changing events. The forces of change are too strong, and the cost of intervention too high to maintain an exchange rate that is consistently out of line with market forces.

The emphasis of the new monetary system is on achieving external stability through sound domestic economic and financial policies. The rate at which a nation's currency is exchanged reflects its underlying economic stability and health. A healthy domestic economy should result in exchange rates that are strong and realistic.

If monetary reform has been the first pillar of our international reform efforts, trade negotiations to open up international markets for all products are the second pillar. During the 1960's, we made very substantial progress in liberalizing industrial trade through tariff reductions. Now in the 1970's we intend to carry this effort further. These negotiations, the U.S. insists, must result in substantial benefits for agriculture as well as industry. And progress on the agricultural side has now clearly become the crux of the negotiations. It is the area of the most pronounced difference between the U.S. and the European Community. It impairs many of the areas of nontariff work, and threatens the success of the entire exercise.

The challenge for both sides is to muster the will and the imagination to resolve our differences in agriculture and to do it soon.

The United States, for its part, has already taken major steps unilaterally to open up our agricultural system to market forces. New emphasis has been placed on producing for the market, bringing set-aside acreage back into production to meet the higher levels of world food demand and enabling farmers to decide for themselves what and how much to produce. We have eliminated export subsidies on all agricultural products.

One of the great accomplishments in domestic economic policy during the last few years has been a strong movement toward getting government out of agriculture. Government expenditures on agricultural support programs have fallen from an annual average of $3.4 billion in 1966-1969 to $503 million in FY 1976. Our farmer now relies on a freer world market for income, not on a network of government programs and controls.

The U.S. in a Global Food Economy

In sum, we have moved over the past few years to a more flexible and market-oriented monetary system. We are engaged in negotiations to open up world trade in agriculture and industry alike by reducing or eliminating both tariff and nontariff barriers to trade. And we have substantially opened up our own farm production and export system at home to the play of market forces.

What do all of these changes mean for U.S. agriculture? And what do they imply for the future? They have, above all, brought home to U.S. farmers and U.S. consumers alike a new reality in food production and prices. U.S. farmers are now clearly producing for both the world and the U.S. market -- and without a buffer in the form of massive grain reserves and export subsidies. Agricultural supply and demand have become truly global in nature. In responding to this global food economy, U.S. farmers and consumers are now much more exposed to sharp shifts in demand and supply due to changes in weather, diets, and stock levels abroad.

The Bretton Woods monetary system had meant that U.S. farmers and exporters generally didn't have to worry about the value of the U.S. dollar abroad in terms of prices of the goods they exported, although their export market could be suddenly disrupted by sporadic exchange rate crises. It also meant that as U.S. deficits grew our currency -- and our agricultural products -- became overvalued, decreasing our competitive position in foreign markets, and improving the competitive position of foreign products in our market. Our overvalued dollar served as an implicit tax on our exports and made agricultural imports more attractive. In short, the world competitive position of American agriculture was hurt by an unrealistic exchange rate.

The new monetary system means our dollar will no longer be consistently overvalued, which means a realistic, strong world competitive position for our dynamic competitive farm producers. It means that there may be some uncertainty in the final price of our exports in terms of foreign currencies, but we seem to have adjusted to these uncertainties fairly well. It means that currency values should change gradually on a day-to-day basis, but that they should be considerable over a longer term. Exchange rate flexibility should, when fully operative, aid those who are competitive, efficient producers of agricultural commodities.

But the new monetary system does not mean that we now live in a completely open and free international market. Just as some nations seem reluctant to permit a free movement of exchange rates, nations continue to use trade restraints to influence trade flows. Changes in government support policies, variable levies on agricultural imports, quotas, export subsidies, and other less visible but equally insidious nontariff barriers to trade can serve to frustrate or prevent adjustment in the agricultural sector of foreign economies, and thereby continue to impede our exports. We believe the best way to achieve a more open world market for our agricultural products is through negotiations which reduce or eliminate restraints on trade. An open monetary system should make such liberalization easier, for ideally there should no longer be balance of payments "reasons" for maintaining or creating trade restraints. Monetary and trade reform must go hand-in-hand if we are to have a more open, more efficient world economy.

Worldwide inflation and recession have had sharp impacts on farmers. Inflationary increases in their costs of production and living have worked against farm profits. Our fight to check inflation and excessive Government expenditures will be critical to the ability of our farmers to retain their position among the world's most competitive producers.

As domestic acreage has been taken out of set-aside to produce for the world market, our margin of land reserves for increased production in the future has dropped sharply. We are now producing at almost full capacity. We are exporting about 60 percent of our wheat, 50 percent of our rice and soybeans, 35 percent of our sorghum, and 25 percent of our corn. We are assured of fairly steady markets for these commodities in certain key importing countries. Japan has indicated that it would like to purchase about 14 million tons of grain and soybeans from us in each of the next three years. Israel would like to buy 1.7 million tons of U.S. farm products in each of the next three years. Poland plans to purchase 2.5 million tons of grain annually during the next five years. The Soviet commitment to purchase at least six million tons of U.S. corn and wheat annually is well known.

These understandings give us some assurance of minimum markets abroad in the future, but they do not guarantee market access for our commodities. Opening and sustaining world markets for our agriculture is one of the most important of our international economic policy objectives.

Some Challenges for the Future

In brief, the actions we have taken in recent years and the more open world economy we seek for the future mean that our farmers can no longer count on static shares of world markets. We will be constantly challenged to maintain our competitive position, to be flexible in our response to the market, and to improve our technology. These are positive challenges and I am convinced that the ingenuity and energy of our system can meet them.

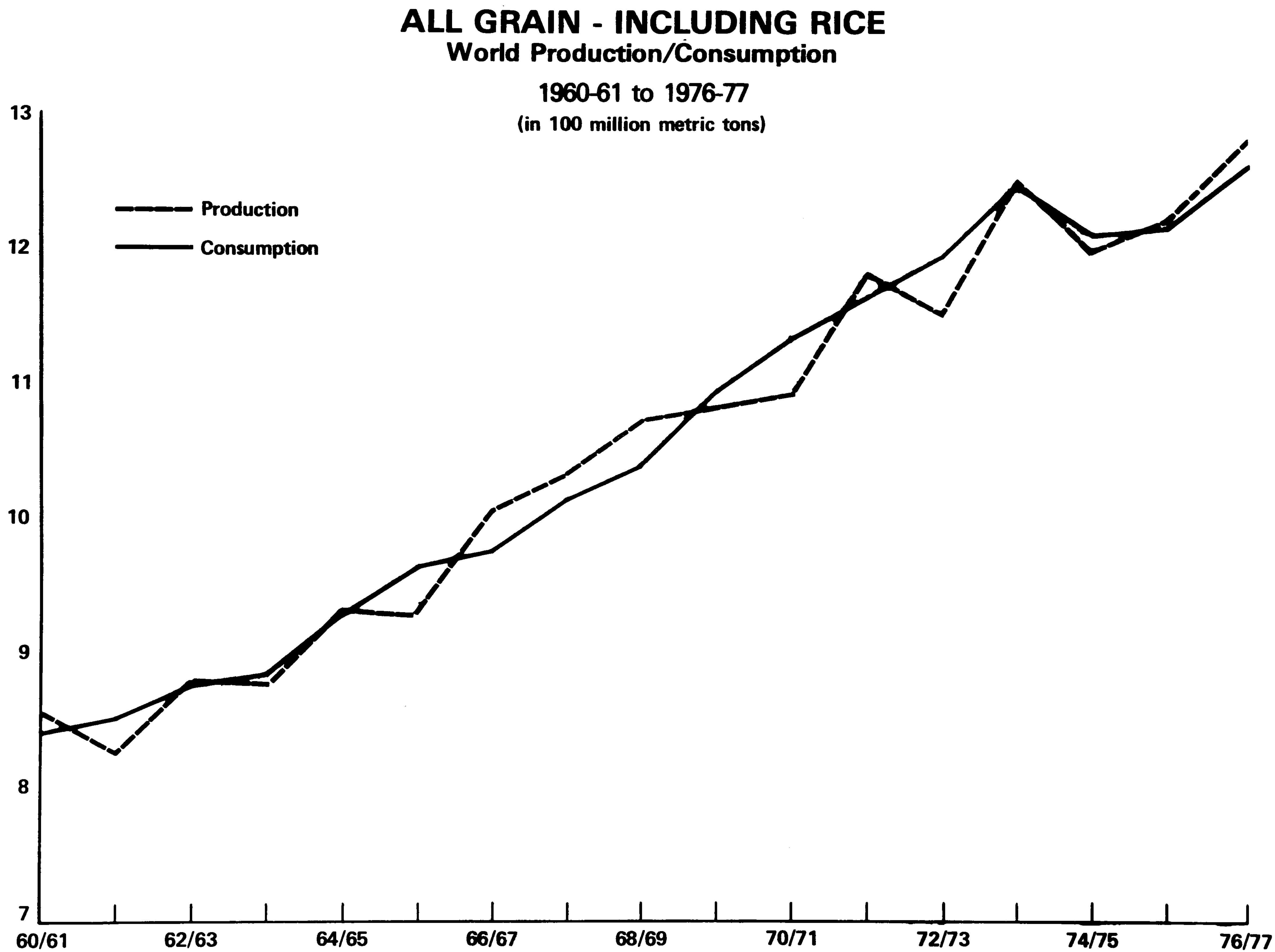
In closing, however, I would like to leave for your consideration a problem which you as agricultural consultants are perhaps uniquely qualified to assess and perhaps resolve. This is demonstrated in the attached chart showing total world grain production and consumption (including rice) for the past 15 years. The chart shows a striking, consistent upward trend in both production and consumption through 1973-74. This trend was followed by a sharp reduction in world supplies which necessitated a drastic reduction in world consumption as well. The world is producing this year at record levels, but we are still not back to the earlier trend.

Two conclusions are prompted by these facts:

First, in order to get consumption back up to trend, we will have to increase substantially world production. Much of this is going to have to come from the developing countries -- where the opportunity for increasing yields is greater than in the U.S. The United States has played an active and leading role in international efforts to improve agricultural production in the developing nations, to increase support for agricultural research, and to develop programs for nutritional improvement. The World Food Conference, held at U.S. initiative in November 1974, was the first big step in bringing food problems to the forefront of the international agenda. One of our major accomplishments since then has been the creation of an International Fund for Agricultural Development, supported by funds contributed by all major industrialized nations as well as the newly rich oil-producing ones. These activities are designed to help meet expanding global food demand. We do not expect them to adversely affect markets for U.S. products abroad. To the contrary, if the data are correct, we will have to do much more, at home _and_ abroad, in order to feed the world.

Second, the data indicate that we should renew efforts to obtain a greater margin of food security in the form of world grain reserves to guard against unexpected shortages. Such a system should include all the world's major producers and consumers, including developing countries. The operational elements of such a system -- the size of the reserves, the mechanism for releasing them to markets, and other problems -- remain to be resolved. If the data are correct, we must redouble efforts to obtain agreement on such a global food reserve system.

Governments have major roles to play in the effort to increase world food production, but change will mainly depend upon private technology and management skills. Government actions, above all, must not interfere with the basic goal of achieving more open markets and improved efficiency of production. The responsibility of government is to provide a sound framework within which private enterprise can best function. Our government will persist in implementing the major monetary reforms of the past several years. We will persist in our effort to open up world markets for our farm products through the multilateral trade negotiations, and we will persist in efforts to adopt market-oriented farm programs. For we are convinced that the private sector is best capable of generating the ideas and the expert knowledge that will make the open world economy we seek a world without hunger or starvation.


ALL GRAIN - INCLUDING RICE
World Production/Consumption
1960-61 to 1976-77
(in 100 million metric tons)
Production
Consumption
13
12
11
10
9
8
7
60/61
62/63
64/65
66/67
68/69
70/71
72/73
74/75
76/77

he Department of the TREASURY NEWS
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FOR RELEASE AT 4:00 P.M. October 7, 1976

TREASURY'S 52-WEEK BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for $3,062 million, or thereabouts, of 364-day Treasury bills to be dated October 19, 1976, and to mature October 18, 1977 (CUSIP No. 912793 H5 8). The bills will be issued for cash and in exchange for Treasury bills maturing October 19, 1976.

This issue will not provide new money for the Treasury as the maturing issue is outstanding in the amount of $3,062 million, of which $1,945 million is held by the public and $1,117 million is held by Government accounts and the Federal Reserve Banks for themselves and as agents of foreign and international monetary authorities. Additional amounts of the bills may be issued to Federal Reserve Banks as agents of foreign and international monetary authorities. Tenders from Government accounts and the Federal Reserve Banks for themselves and as agents of foreign and international monetary authorities will be accepted at the average price of accepted tenders.

The bills will be issued on a discount basis under competitive and non-competitive bidding, and at maturity their face amount will be payable without interest. They will be issued in bearer form in denominations of $10,000, $15,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value) and in book-entry form to designated bidders.

Tenders will be received at Federal Reserve Banks and Branches and from individuals at the Bureau of the Public Debt, Washington, D. C. 20226, up to one-thirty p.m., Eastern Daylight Saving time, Wednesday, October 13, 1976. Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. 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.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others 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

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(OVER)

dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. 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 $500,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank or Branch or at the Bureau of the Public Debt on October 19, 1976, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 19, 1976. 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.

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 considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of bills (other than life insurance companies) issued hereunder must include in his Federal income tax return, as ordinary gain or loss, the difference between the price paid for the bills, whether on original issue or on subsequent pruchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made.

Department of the Treasury 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, or from the Bureau of the Public Debt.

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ederal financing bank NEWS
WASHINGTON, D.C. 20220
Press inquiries: 202-964-2615

FOR IMMEDIATE RELEASE October 7, 1976

SUMMARY OF LENDING ACTIVITY

September 16-September 30, 1976

The Federal Financing Bank activity for the period September 16 through September 30, 1976, was announced as follows by Roland H. Cook, Secretary:

The Federal Financing Bank made the following advances to borrowers guaranteed by the Department of Defense under the Foreign Military Sales Act:

Date	Borrower	Amount	Maturity	Interest Rate
9/16	Government of China	$ 100,722.50	12/31/82	7.169%
9/16	Government of Brazil	81,935.04	6/30/83	7.257%
9/17	Government of Brazil	971,155.89	10/01/83	7.265%
9/17	Government of the Phillipines	40,000.00	12/31/81	7.003%
9/17	Government of Korea	501,805.03	6/30/84	7.335%
9/17	Government of Korea	1,542,150.00	6/30/84	7.266%
9/29	Government of Israel	20,624,917.03	6/30/06	7.934%

On September 30, the Bank purchased a $187,260,000 thirty-year Certificate of Beneficial Ownership from the Rural Electrification Association. The maturity is September 30, 2006; and the interest rate is 8.100%.

On September 22, the FFB purchased debentures from Small Business Investment Companies totaling $4,550,000.00. The debentures mature September 1, 1986, and bear interest at a rate of 7.755%.

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The FFB made the following loans to utility companies guaranteed by the Rural Electrification Administration:

Date	Borrower	Amount	Maturity	Interest Rate
9/20	South Mississippi Electric Power	$ 6,000,000	9/25/78	6.453%
9/21	Dairyland Power Cooperative	15,000,000	12/31/10	7.942%
9/23	Big Rivers Electric Corporation	2,173,000	12/31/10	7.901%
9/24	Ponderosa Telephone Company	200,000	12/31/10	7.911%
9/24	Western Farmers Electric	21,000,000	12/31/10	7.911%
9/29	Seminole Electric Cooperative	270,000	12/31/10	7.929%
9/29	United Power Assn.	3,500,000	12/31/10	7.929%
9/29	Arizona Electric Power Corporation	7,515,000	12/31/10	7.929%
9/30	Southern Illinois Power Corporation	3,540,000	9/30/78	6.473%

Interest payments on the above REA loans are made on a quarterly basis.

On September 27, the Bank loaned the U.S. Railway Association (USRA) $1,075,000 against Note #6. The maturity of the loan is December 26, 1990; and the interest rate is 8.055%, set at the time of the first advance. USRA borrowings from the FFB are guaranteed by the Department of Transportation.

On September 28, the National Railroad Passenger Service (Amtrak) made a drawing from the FFB against Note #8 in the amount of $6,300,000. The loan matures November 11, 1976; and bears interest at a rate of 5.301%.

The Student Loan Marketing Association (SLMA) rolled-over the following principle amounts on loans previously made with the Federal Financing Bank:

Date	Amount	Maturity	Interest Rate
9/21	$20,000,000.00	12/21/76	5.288%
9/28	25,000,000.00	1/04/77	5.334%

SLMA borrowings are guaranteed by the Department of Health, Education, and Welfare.

On September 30, the Tennessee Valley Authority (TVA) borrowed from the FFB $160 million. The loan matures December 30, 1976, and bears interest at a rate of 5.332%. On the same day, the Bank purchased a $400 million Series B Power Bond at an interest rate of 7.97%. The maturity of the bond is November 30, 2001. TVA used the proceeds of these loans to repay $420 million in notes maturing with the Bank.

On September 30, the United States Postal Service made the following borrowings from the Federal Financing Bank:

Amount	Note #	Maturity	Interest Rate
$375,000,000	8	5/30/01	7.800%
125,000,000	9	5/30/81	6.850%

Note #8 will be repaid in 25 serial installments commencing on May 30, 1977 and ending May 30, 2001. Note #9 will be repaid in 5 serial installments commencing May 30, 1977 and ending May 30, 1981.

Federal Financing Bank loans outstanding on September 30, 1976 totalled $25.9 billion.

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NEWS RELEASE

Comptroller of the Currency
Administrator of National Banks

Washington, D.C. 20219

For: For Release

Date: October 13, 1976

Past-due loans on the books of the country's 4,700 national banks have dropped to both the lowest absolute level and to the lowest proportion of outstanding total loans recorded in the past year and a half, according to Robert Bloom, acting Comptroller of the Currency.

He described the development as part of a trend toward continued improvement in the economy, coupled with sounder credit extension and better collection efforts by the banks.

As of June 30, 1976, national bank reports of condition showed that the proportion of past-due loans to total loans outstanding was 4.8 percent. Mr. Bloom said that ratio was the lowest recorded since January 31, 1975, and represents a drop of four-tenths of a percentage point from the 5.2 percent ratio recorded as of March 31, 1976. The mid-year ratio, Mr. Bloom noted, represented a reduction of approximately $700 million in loans past due at the same time that total loans outstanding rose some $7 billion to a $294 billion total. The decline of four-tenths of a percentage point in the total proportion of loans past due, Mr. Bloom noted, "is the sharpest movement in that ratio between report dates since these data were first collected for November, 1974."

Loans are considered past-due if payment is more than 30 days late for installment paper and more than 5 days late for single-payment loans. National banks have been required to report such lapses since November, 1974, first on a bimonthly basis until September, 1975, and on a quarterly basis since that time. With the establishment of this data base, Mr. Bloom said the office expects to report periodically in the future on past-due loan ratios. While the national banks reporting these ratios represent only about 32% of the total number of commercial banks in the country, their total loans amount to approximately 57% of all bank loans in the United States.

Preliminary data for mid-1976 indicate that both the absolute dollar volume of past-due loans held by national banks, as well as the proportion of loans past-due to total loans outstanding, declined significantly from the previous quarter, Mr. Bloom said. He noted that this decline occurred in each of the four broad loan categories (real estate, commercial, personal, and other) for which data are reported. He said that real estate loans past due still remain higher than those in the other categories, despite a half-point decline in that ratio from the previous quarter.

(more)

The table below shows the comparative trend in past-due loan categories for all four classes of credit in the first two quarters of 1976.

PERCENT PAST DUE

	March 1976	June 1976	Decline
Real Estate	7.6	7.1	0.5
Commercial	4.5	4.2	0.3
Personal	3.1	2.9	0.2
Other	5.6	4.9	0.7
Total	5.2	4.8	0.4

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE October 8, 1976

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $2,400 million of 13-week Treasury bills and for $3,500 million of 26-week Treasury bills, both series to be issued on October 14, 1976, were opened at the Federal Reserve Banks today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing January 13, 1977			26-week bills maturing April 14, 1977		
	Price	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/
High	98.765	4.886%	5.02%	97.474	4.996%	5.20%
Low	98.757	4.917%	5.05%	97.450	5.044%	5.25%
Average	98.760	4.905%	5.04%	97.460	5.024%	5.23%

Tenders at the low price for the 13-week bills were allotted 37%.
Tenders at the low price for the 26-week bills were allotted 24%.

TOTAL TENDERS RECEIVED AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Received	Accepted	Received	Accepted
Boston	$ 79,235,000	$ 22,385,000	$ 92,070,000	$ 47,070,000
New York	4,274,545,000	2,051,425,000	4,457,905,000	2,620,705,000
Philadelphia	28,235,000	27,260,000	11,640,000	9,640,000
Cleveland	144,170,000	58,370,000	120,740,000	120,740,000
Richmond	34,630,000	17,630,000	81,275,000	61,275,000
Atlanta	29,615,000	27,115,000	15,415,000	14,815,000
Chicago	377,120,000	43,890,000	283,950,000	124,750,000
St. Louis	47,415,000	19,745,000	41,890,000	19,890,000
Minneapolis	10,910,000	5,910,000	30,950,000	10,950,000
Kansas City	42,760,000	39,680,000	21,400,000	21,400,000
Dallas	51,090,000	27,940,000	41,385,000	30,385,000
San Francisco	299,145,000	60,450,000	522,110,000	418,310,000
Treasury	95,000	95,000	90,000	90,000
TOTALS	$5,418,965,000	$2,401,895,000 a/	$5,720,820,000	$3,500,020,000 b/

a/ Includes $380,950,000 noncompetitive tenders from the public.
b/ Includes $167,730,000 noncompetitive tenders from the public.
1/ Equivalent coupon-issue yield.

WS-1121

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

REMARKS BY THE HONORABLE JOHN M. PORGES
U.S. EXECUTIVE DIRECTOR, INTER-AMERICAN DEVELOPMENT BANK,
BEFORE THE TWELFTH LATIN AMERICAN FOOD PRODUCTION
CONFERENCE, HOTEL MERIDIEN,
RIO DE JANEIRO, BRAZIL, OCTOBER 12, 1976

I am happy to be in Brazil and the City of Rio de Janeiro. As a former commercial banker, I have had many business dealings and associations here. It is a pleasure to be back again.

It is also a pleasure to participate in this 12th Latin American Food Production Conference. As U.S. Executive Director of the Inter-American Development Bank, I am directly involved in efforts to increase agricultural production. The Inter-American Development Bank has been, in fact, the leading source of financing for agricultural development throughout Latin America. In the period 1961-1975, the Bank approved agricultural loans for more than $1,974 million for projects with total costs of $5,400 million. This loan figure, on a cumulative basis, represents nearly 23 per cent of our total lending activity. During the next three years we will try to increase this percentage figure to 30 per cent.

This afternoon I would like to review with you the record of the Bank's activity in this very difficult and complex economic sector, touching on some of the special problems of agricultural finance. I also want to preview

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some of our plans and programs for the future, indicating specific concerns of special interest to us. One of these specific concerns is also of special interest to you: the possibility of Bank operations in the fertilizer subsector.

Speaking in very broad terms, the Inter-American Development Bank has three over-all goals for its work in the agricultural sector. Taken together, these three goals have both production increase and rural poverty reduction objectives. They are: (1) acceleration of basic food production and increased availability of basic food-stuffs in the region, (2) expansion of agricultural exports, both within and outside the region, (3) improvement of rural incomes, employment and levels of living.

In this context, let me now summarize briefly what we have done thus far. I mentioned that our total lending for agricultural purposes reached nearly $2.0 billion at the end of 1975. Of this amount, 40 per cent has been used in the irrigation subsector and 25 per cent has been used for credit or relending programs for farmers through intermediate credit institutions such as development banks or cooperative associations. By themselves, these two subsectors account for nearly two-thirds of our over-all agricultural lending. Another 15 per cent is represented by loans for integrated agricultural development and colonization and/or reform. In this particular subsector, we have helped to fund large-scale programs in the Dominican Republic, Mexico, Venezuela and Colombia. The remainder of funding has gone for such varied purposes as livestock development, animal health, marketing and agro-industry and research and extension services.

In terms of country distribution, 55 per cent of our agricultural lending has been made in the four largest or relatively more advanced countries of Latin America (Argentina, Brazil, Mexico and Venezuela). Mexico, in view of its extreme climatic problem regarding rainfall, has received the greater part of our financing for irrigation. This particular distribution pattern reflects large rural populations in these four countries and the relatively greater capabilities of the governments, compared to those of our other member countries, to initiate loan proposals. Speaking frankly, we would prefer a better balance of agricultural infrastructure lending among all of our countries, including the smallest and least developed. We have, as a matter of fact, already achieved a more evenly-distributed country pattern for our agricultural relending programs.

Within Brazil, Bank lending for agriculture has amounted to more than $200 million. It is spread over a number of subsectors. In terms of funds made available, the largest of these is the credit subsector which has received $106 million. Other subsectors receiving financing from the Bank have included livestock development ($24 million); agricultural research and extension ($10 million); animal health ($13 million) and mechanization ($4 million).

I have visited several farms in the northern part of the State of Rio de Janeiro which benefitted from our agricultural credit subloans. I saw that marked improvements had been made in providing pasturage for cattle and in planting better-yielding fruit trees. Farmer income was expected to more than double within five years as a result of these particular subloans.

In addition to its lending, the Inter-American Development Bank also provides technical cooperation assistance in the agricultural sector. Since 1961, this has amounted to more than $66.0 million. The emphasis of these programs is on prefeasibility and feasibility studies which will lead to loan project proposals by our member countries. The funds are also used to prepare basic studies and to provide training and advisory services usually on a non-reimbursable basis. I should mention that we also established in 1975 an International Group for Agricultural Development and Food Production in Latin America.

This organization includes a small secretariat and functions under the auspices of the Bank. It has begun work on elements of a general strategy for agricultural development and increased food production in Latin America. We hope it will provide much needed consultation, coordination, and cooperation among different agencies active in this field. In addition, we also support the International Maize and Wheat Improvement Center (CIMMIT) in Mexico, the International Center for Tropical Agriculture (CIAT) in Colombia and the International Potato Center (CIP) in Peru. We have also started assistance programs with a number of national research centers to facilitate the transfer and adaptation of the international research work.

So far as the future is concerned, I have already said that the Bank wants to increase its sectoral concentration in agriculture from 22 to 30 per cent of total loans. Our main difficulty lies in obtaining suitable project proposals from our member countries. Accordingly, we have for some time been focusing more effort on the preinvestment and project preparation element of our technical cooperation programs, especially in our least developed member countries and those of insufficient market. It is hoped that we can in this way meet our percentage goals for agricultural lending in 1977 and 1978. For 1976, our projects-in-pipeline may be sufficient to meet our goals.

Let me turn now to some of the problems we face in agricultural finance. I have said that the agricultural sector in Latin America is difficult and complex. There are, first of all, large numbers of farmers spread over wide geographic areas of the continent. Many of these farmers are small in terms of both acreage and production method. They operate, to a significant extent, outside the market economy with limited or no access to credit and technical extension services. Frequently, the required infrastructure, such as roads and transport or storage and market facilities, are inadequate or lacking entirely. Public institutions, including various government ministries and development banks, face especially difficult problems of coordination at both the national and local levels. At the local level, establishment of cooperatives and farmers' organizations is seen as one answer to the coordination problem. However, the task of establishing these cooperatives and other organizations is, in itself, a long and difficult process.

I might mention, in this connection, that the Inter-American Development Bank has been extensively involved with promotion of agricultural cooperatives. In 1975, approximately $138.7 million was assigned to cooperatives and similar organizations from Bank approved loans. It is estimated that over 1.6 million individuals will benefit from the work to be undertaken by the cooperative enterprises. Of this figure, 180,000 individuals in Brazil are expected to benefit from a global credit program for small- and medium-sized agricultural and livestock producers and their cooperatives. This program, approved by the Bank in September, 1975, cost $80 million and the Bank financed one-half of this amount.

Lending through cooperatives has become a channel that is extremely important to us. In this way we can reach the poorest elements of the populations of our member countries. In the future we will be putting additional emphasis on this aspect of our operations.

Problems of organization and coordination are not limited to our developing member countries. The international development banks also have had problems in organizing our efforts in the agricultural sector. Too often in the past we have simply transferred the technologies of the industrial countries without considering the different economic and social situations and experiences of the recipient countries, themselves. Within the Inter-American Development Bank, we are now preparing a special procedure to utilize "intermediate" or "most appropriate" types of technology. We want to incorporate different technologies, ones that are not necessarily used in the industrial countries, into all of our loan programs. We expect that the agricultural sector may be one of the most promising areas. We hope that by promoting sub-credits to smaller farmers, and even some minifundistas, we can help expand production through simple and relatively inexpensive changes in method. Studies show this is a promising approach because on a simple acreage basis some of the small farmers are more productive than the larger ones.

In a similar vein, we are revising our technical cooperation support of both national and international agricultural research institutions. We want to put more emphasis on "field conditions" as they now exist in Latin America and less emphasis on ideal or "laboratory type" conditions. This revision implies a more "experimental" orientation based on observation of Latin American conditions. In this way, we hope to increase the effectiveness of our long-standing and traditional support for such organizations as the Corn and Wheat Institute in Mexico, the Potato Institute in Peru and the Tropical Agriculture Institute in Colombia.

Another concern of the Inter-American Development Bank is the establishment of more realistic or market level interest rate policies for sublending in agriculture as well as in other sectors. The crux of our concern is the need to assure continuity of credit availability over the long term, especially to small farmers and to other individuals who have not had access to credit in the past. This continuity depends mainly, of course, on the mobilization of domestic resources through the local banking system. It also depends on the long-term financial health and viability of the sublending institutions involved. In the absence of appropriate rates of interest, domestic funds will not flow for the purposes we seek. Without adequate rates of return, the intermediate institutions we now support will decapitalize themselves and not survive into the future. Appropriate interest rates also avoid undesirable distortions of credit markets and promote the best use of available resources. We are convinced that all farmers, including the smaller ones, can pay these appropriate rates of interest. In fact, under usual arrangements with local money lenders in rural areas, many small farmers presently pay much higher rates. For these reasons, the question is of paramount importance and will recieve, I think, increasing attention in the future.

In this over-all sectoral perspective of progress and problems, we can consider the fertilizer subsector and prospects for Bank funding. Let me say at the outset that the Bank is very interested in helping to finance projects of this kind. We consider chemical fertilizers the single most important commercial agriculture input for expansion of food production.

As a matter of fact, we have made several direct loans to help finance major fertilizer production. In 1965, we made a loan of $9.8 million to Argentina for its PETROSUR facility. In 1969, we lent $16.2 million to Venezuela for its Moron complex. In Brazil in 1974, we helped finance the ARAXA complex with an $8.1 million subloan from BNDE. There was a similar operation in Uruguay in 1969. In addition, we estimate that approximately $80 million of our global agricultural credits have been used for purchasing fertilizer. Our irrigation loans, which amount to more than $400 million, have also promoted greater use of fertilizers since they are a necessary complement to irrigated agriculture.

During the 10-year period 1963-1973, fertilizer consumption throughout Latin America tripled from 1.0 million metric tons to more than 3.4 million metric tons. This represented an annual rate of increase of 14.2 per cent compared to the world average of 8.7 per cent. At the end of this period, use of fertilizer per hectare in Latin America averaged 30.5 kilograms vis-a-vis a world average of 49.6 kilograms. In the United States, the corresponding figure was 81.9 kilograms; in France, 305.4 kilograms and in Germany, 429.3 kilograms. For Brazil, the average was 36.7 kilograms. It can be seen, therefore, that the use of fertilizer in Latin America is far below what it could be if parallel progress could be made in expanding credit programs and extension of technical services. As a general rule, small farmers use little or no chemical fertilizer. Much more work is urgently needed to promote domestic consumption by small farmers through specialized programs of credit and extension services. Such an effort would fit very well into the Bank's general sectoral orientation toward the small farmer.

So far as fertilizer production in Latin America is concerned, the level doubled from 679,300 metric tons in 1966/67 to 1,475,400 tons in 1972/73, an increase of 13.8 per cent per annum. As a whole, the region became more dependent on imports since during the same period, consumption was increasing at an annual rate of 17.3 per cent. One of the reasons for this increased dependence on imports is low utilization of available plant. Regional capacity in 1972/73 was estimated at 2,518,000 metric tons. However, the actual production figures of 1,475,000 tons indicate a utilization rate of only 60 per cent.

Projections from the Organization of American States (OAS), nevertheless, show a regional consumption of 7.5 million tons in 1980/81, compared to a 3.6 million tons in 1974/75. In view of this growth in demand that is foreseen over the next few years, plans are well advanced in a number of countries for expansion of capacity. A recent Bank mission to the Andean Group countries, for example, identified 34 possible operations for financing. These projects amounted to nearly $2.0 billion in direct investment as well as an additional $1.0 billion for related infrastructure such as warehousing, credit, and extension and educational services.

Three of these projects are already under active consideration by the Bank. They include a Fertilizer Development Plan for Chile, an ammonia plant in Ecuador and a Phosphate Development Plan for Colombia. In addition, the first stage of the Bayovar Project in Peru, a large and comprehensive multi-stage project, is being considered for IDB financing.

At the present time, the Bank is processing a Brazilian request for a loan of the magnitude of $70.0 million to Petrobras Fertilizantes. Although an ammonia and urea facility in Sao Paulo was originally contemplated, from certain raw materials, I understand that consideration is now being given to developing another source of raw material. In any event, the Bank should work closely with Brazil because of its large size, the rapid growth of its fertilizer market and its determination to be self-sufficient in fertilizers in a relatively short period of time. There are good opportunities for both phosphate and nitrogen production as well as marketing facilities for all types of fertilizer. As a follow-up to its reconnaissance mission to the Andean Group countries, I am hopeful that the Bank will send similar missions to Brazil and other Bank member countries.

To sum up, I think there are many opportunities for the Bank to have a significant impact in this subsector. Our assistance can take the form not only of loans for specific operations but also for loans for preinvestment and technical cooperation for country and regional investment plans. I should emphasize in this connection that regional and subregional coordination of production plans is essential. I know that my treatment of the Bank's work in financing agricultural development has been a broad-brush one. I hope, however, that some of the subjects touched on have been of interest to you. Thank you.

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e Department of the TREASURY NEWS
HINGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE AT 4:00 P.M. October 12, 1976

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $5,800 million, or thereabouts, to be issued October 21, 1976, as follows:

91-day bills (to maturity date) in the amount of $2,400 million, or thereabouts, representing an additional amount of bills dated July 22, 1976, and to mature January 20, 1977 (CUSIP No. 912793 E2 8), originally issued in the amount of $ 3,501 million, the additional and original bills to be freely interchangeable.

182-day bills, for $ 3,400 million, or thereabouts, to be dated October 21, 1976, and to mature April 21, 1977 (CUSIP No. 912793 F7 6).

The bills will be issued for cash and in exchange for Treasury bills maturing October 21, 1976, outstanding in the amount of $5,805 million, of which Government accounts and Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold $2,993 million. These accounts may exchange bills they hold for the bills now being offered at the average prices of accepted tenders.

The bills will be issued on a discount basis under competitive and non-competitive bidding, and at maturity their face amount will be payable without interest. They will be issued in bearer form in denominations of $10,000, $15,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value), and in book-entry form to designated bidders.

Tenders will be received at Federal Reserve Banks and Branches and from individuals at the Bureau of the Public Debt, Washington, D. C. 20226, up to one-thirty p.m., Eastern Daylight Saving time, Monday, October 18, 1976. Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. 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.

Banking institutions and dealers who make primary markets in Government

WS-1123

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securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others 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 bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. 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 $500,000 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 or Branch or at the Bureau of the Public Debt on October 21, 1976, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 21, 1976. 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.

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 considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of bills (other than life insurance companies) issued hereunder must include in his Federal income tax return, as ordinary gain or loss, the difference between the price paid for the 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.

Department of the Treasury 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, or from the Bureau of the Public Debt.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE October 13, 1976

RESULTS OF TREASURY'S 52-WEEK BILL AUCTION

Tenders for $3,062 million of 52-week Treasury bills to be dated October 19, 1976, and to mature October 18, 1977, were opened at the Federal Reserve Banks today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Price	Discount Rate	Investment Rate (Equivalent Coupon-Issue Yield)
High -	94.840	5.103%	5.38%
Low -	94.803	5.140%	5.42%
Average -	94.817	5.126%	5.41%

Tenders at the low price were allotted 52%.

TOTAL TENDERS RECEIVED AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Received	Accepted
Boston	$ 129,565,000	$ 107,565,000
New York	4,297,785,000	2,623,825,000
Philadelphia	6,175,000	2,175,000
Cleveland	58,170,000	13,170,000
Richmond	9,490,000	2,490,000
Atlanta	1,975,000	1,975,000
Chicago	275,305,000	79,265,000
St. Louis	59,050,000	47,050,000
Minneapolis	35,445,000	35,445,000
Kansas City	6,545,000	6,245,000
Dallas	18,695,000	11,695,000
San Francisco	318,770,000	132,750,000
Treasury	25,000	25,000
TOTAL	$5,216,995,000	$3,063,675,000

The $3,064 million of accepted tenders includes $ 55 million of noncompetitive tenders from the public and $1,037 million of tenders from Federal Reserve Banks for themselves and as agents of foreign and international monetary authorities accepted at the average price.

An additional $ 28 million of the bills will be issued to Federal Reserve Banks as agents of foreign and international monetary authorities for new cash.

WS-1124

DATE: October 13, 1976

TREASURY BILL RATES

52-WEEK

LAST MONTH: 5.561%

TODAY: 5.126%

HIGHEST
SINCE:

LOWEST
SINCE: 9/ 72 4.78%

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE AT 4:00 P.M. EDST

REMARKS BY THE HONORABLE WILLIAM E. SIMON
SECRETARY OF THE TREASURY
BEFORE THE
NATIONAL SAVINGS & LOAN LEAGUE
SAN FRANCISCO, CALIFORNIA
OCTOBER 19, 1976

THE CHALLENGE OF ECONOMIC LEADERSHIP

I am pleased to address this meeting of savings and loan association officials representing every sector of our great Nation. There are many important industries but few can match your basic role in the economic and social progress of our country.

-- From an industry with total assets of just over $15 billion in 1950 you have grown into a $350 billion financial giant that continues to expand in size and scope of activities.

-- In the process you have become the largest supplier of residential mortgages accounting for almost one-half of the credit outstanding and just over two-thirds of the new loans made in 1975.

-- Your industry provides the necessary financial link between approximately 65 million savers and 13 million mortgage borrowers.

-- Your growth, particularly in the postwar era, has been a major factor enabling almost two-thirds of American families to own their own homes.

-- In short, your industry is fundamental to the economic and social health and progress of America.

But since the mid-1960's the stop-and-go pattern of economic booms and recessions has severely disrupted your activities creating wide swings in savings flows and interest rates. Many of your most pressing problems are the direct result of government policies. Excessive spending has triggered general economic instability and chronic Federal budget deficits. The repeated overheating of the economy created double-digit inflation pressures rarely experienced in the United States. As these distortions have occurred it has been impossible to sustain stable monetary policies which have tended to vacillate between restraint to fight inflation and ease to finance the artificially inflated pace of economic activity. The resulting disruptive impact on the nation's financial markets explains many of your industry's problems.

From these experiences there is one basic conclusion: Our basic desire for economic progress, through improved living standards and employment opportunities, will be frustrated unless we better control the insidious inflation which has destroyed economic stability and today threatens not only our goal of sustained growth but the ultimate survival of all of our basic institutions. When inflation distorts the economic system and destroys the incentives for real improvement the people will no longer support that system and society disintegrates. I am convinced that our uniquely creative and productive society will also collapse if we permit inflation to dominate economic affairs. There is no tradeoff between the goals of price stability and low unemployment as some critics have erroneously claimed. To the contrary, the achievement of both goals is interdependent. If we are to increase the output of goods and services and reduce unemployment, we must make further progress in reducing inflation.

The intensity of my feelings about inflation has resulted in some critics labeling me as obsessed. However, I am not so much obsessed as I am downright antagonistic toward those who consistently vote for bigger deficits. We must always remember that it is inflation that causes the recessions that so cruelly waste our human and material resources and the tragic unemployment that leaves serious economic and psychological scars long after economic recovery occurs. It is inflation which destroys the purchasing power of our people as they strive -- too often in a losing struggle -- to provide the necessities of food, housing, clothing, transportation, and medical attention and the desired necessities of education, recreation and cultural opportunities. Inflation is not now, nor has it ever been, the grease that enables the economic machine to progress. Instead, it is the monkey wrench which disrupts the efficient functioning of the system. Inflation should be identified for what it is: The most vicious hoax ever perpetrated for the expedient purposes of a few at the cost of many. There should be no uncertainty about its devastating impact, particularly for lowincome families, the elderly dependent upon accumulated financial resources and the majority of working people who do not have the political or economic leverage to beat the system by keeping their incomes rising even more rapidly than inflation. When inflation takes over an economy the people suffer and it is time that this basic point is emphasized by every responsible citizen and the full brunt is brought to bear on their elected officials. Let me assure you that regardless of the rhetoric emanating from Washington, D.C., the spend-spend, elect-elect, syndrome is alive and well.

Almost buried in that rhetoric are the economic issues that will ultimately shape the future course of the United States. The American people must now decide what kind of economy they want for the foreseeable future. They must realize that their government's fiscal and monetary policies and the maze of government programs that increasingly intervene in their daily lives are the real issues that will determine their personal welfare:

-- whether or not inflation will be effectively controlled or once again allowed to return to double-digit levels;

-- whether or not capital investment will be adequate to create meaningful jobs for the growing labor force;

-- whether or not government regulation and administrative controls will be changed to meet current economic realities to restore productivity and efficiency;

-- whether or not the United States will provide effective leadership on international monetary, trade and investment issues.

These are the real issues and each candidate's statements must be judged against the following standard: Do his policies contribute to sustained and orderly economic growth or do they merely perpetuate the familiar stop-and-go patterns of the past involving increased government spending without regard for the chronic deficits and economic disruption created, excessive expansion of the money supply, even more government controls over the private economy and increased intervention in private wage and price decisions.

The Development of Economic Policies

The proper role of government is to create an environment for sustained and orderly economic growth through its fiscal, monetary, and regulatory policies. The disappointing performance of the U.S. economy during much of the last decade emphasizes the basic need for more stable policies. In the mid-1960's the United States began an unfortunate series of exaggerated booms and recessions: serious overheating of the economy created severe price pressures; accelerating inflation caused recessions by restricting housing construction, personal spending and business investment; the recessions created unwanted unemployment which wasted resources and caused personal suffering; rising unemployment too often triggered poorly planned and ill-timed government fiscal and monetary policies setting off another round of excessive stimulus leading again to overheating -- inflation -- recession -- unemployment -- and more government intervention.

Two years ago the pace of economic activity was deteriorating, inflation was already at double-digit levels and rising, unemployment was beginning to increase and great uncertainty prevailed about international trade and monetary problems. Although others are now anxious to take credit for the responsible policies he developed, the fact is that under President Ford's leadership the U.S. economy has experienced a healthy and balanced economic expansion over the last eighteen months. This favorable turnaround resulted from following four basic policy guidelines to break the vicious circle and return the U.S. economy to full output:

-- First, the diversity of problems had to be recognized to avoid concentrating on a single issue. Inflation, unemployment, declining output, the availability of productive resources, international trade and investment all had to be considered simultaneously to create a balanced program for recovery. Controlling inflation was the necessary beginning point to restore consumer purchasing power to provide needed demand to turn the economy around but the entire mix of goals was recognized.

-- Second, the Administration wanted its policies to solve more problems than they would create. During a period of difficulty it is expedient to respond to strident calls "to do something -- anything to demonstrate political leadership."

But this naively activist approach is the basic source of problems not the solution. Courage and wisdom have been required to avoid actions offering the illusion of short-term benefits in exchange for further erosion of the free enterprise system that has served this Nation so well during the last two-hundred years. The conventional wisdom that a few billion dollars of additional government spending somehow makes the difference between success or failure of the entire U.S. economy -- which is rapidly approaching an annual level of output of two trillion dollars -- has always amazed me. There is definitely an important role for governments in protecting public interests but the claim that governments can or should control the economy is totally false. We would all be better off if government officials would admit that the real creativity and productivity of America depends upon the private sector.

-- Third, the recovery process needed to attack the basic cause of the recession -- the vicious inflation. From 1890 to 1970 prices in the United States increased at an annual rate of 1.8 percent. From December 1973 to December 1974 they jumped 12.2 percent. It seems so obvious that any long-term solution to our economic problems required better control of inflation which had distorted the spending and savings decisions of all Americans. Nevertheless, the Administration was accused of having a single-minded obsession with inflation. To the contrary it simply recognized inflation for what it is: the greatest threat to the sustained progress of our economy and the ultimate survival of all of our basic institutions.

-- Fourth, the Administration emphasized the need to alleviate the transitional problems of moving from recession to recovery. The automatic stabilizers built into many government programs were improved to respond to rising unemployment and sustain the flow of personal incomes.

The positive results of following these policies can now be evaluated after eighteen months of healthy and balanced economic expansion. The real output of goods and services has expanded at an annual pace well above the long-term capability of the U.S. economy without experiencing widespread capacity constraints or severe raw materials problems that were predicted by many analysts. Personal consumption has provided the basic thrust for the growth throughout most of the current expansion. Residential construction has not returned to its pre-recession levels, although the current pace of approximately 1-1/2 million starts at an annual rate is well above the recession low reported in the spring of 1975. Business spending, which is usually sluggish during the early stages of recovery, is now beginning to accelerate and business inventory buying is about at the level expected. Government spending at all levels continues to grow, but at a more controlled rate, and the pace of export sales has continued although imports are rising more rapidly because of the relatively advanced status of the economic expansion in the United States.

Looking to the future, we expect the expansion in the United States will continue in 1977, but at a reduced pace more consistent with the long-term potential of our economy. This is a proper pattern because continuation of the rate of output gains in the 6 to 7 percent zone over an extended period of time would inveitably overheat the U.S. economy, once again leading to a new round of inflation, followed soon afterwards by recession and unemployment. Output gains in 1977 should be in the 5 to 6 percent zone as the economy gradually returns to its long-term potential annual rate of output.

Personal consumption will continue to be the basic strength of the U.S. economy, since it comprises two-thirds of the total GNP, but the rate of increase in this sector will probably slow down and business investment and continued modest gains in housing construction will provide most of next year's thrust for additional growth.

We expect inflation to remain in the 5 to 6 percent zone. This is not a satisfactory level of price increase and our Nation must not and will not accept it. Employment growth should continue, although not as rapidly as during the last eighteen months, and the unemployment rate should continue to decline, particularly as the extraordinary growth in the labor force slows down.

In summary, there are several worrisome problems to contend with and the future course of each sector of the economy will not be steadily upward each month, but the likely overall course for the U.S. economy is favorable if fiscal and monetary policies remain responsible. The key to achieving this relatively optimistic goal will be how well inflation is controlled. A resurgence of inflation would quickly erode both consumer confidence and actual purchasing power, which would restrict the personal spending that creates the driving force for the entire economy. In turn, business firms would curtail their spending plans which would further erode current economic growth and delay the capital investment necessary for achieving our future national goals, particularly the creation of new jobs.

In short, we must guard against a resurgence of inflation if we are to avoid a premature disruption of the economic expansion. This fundamental approcah is not based on any obsession with a particular goal but is a realistic recognition that inflation destroys economic stability and leads to recession and unemployment. There never was and is not now a choice between inflation and unemployment.

that concept is a fallacy. The real choice is between making steady progress on both inflation and unemployment or of returning to the stop-and-go economic policies that have failed to provide needed stability in the past.

Different Approaches to Economic Goals

Although our national goals of stable growth, maximum employment, more moderate inflation, efficient use of human and material resources and further progress on international monetary and trade reform are generally accepted, there are major disagreements about the policies necessary to achieve these objectives. There is also a difference of opinion about the probable time frame of economic developments and the relative risks of inflation and unemployment that can be tolerated. These basic differences should not be confused or concealed by campaign oratory.

The Administration has submitted a detailed plan for balancing the Federal budget and has identified specific programs to be delayed or eliminated. The President has demonstrated the seriousness of this commitment by using his veto power to restrict the continuous pressures for more spending. We have strongly supported the independence of the Federal Reserve System and more stable monetary policies. We have submitted several legislative initiatives for regulatory reform and directed internal programs to eliminate or improve government rules and regulations. Our prolonged international negotiation efforts have finally produced significant progress in monetary and trade reform. In short, the record of accomplishments and policy recommendations for the future are on the record and they have not vacillated.

Most important of all, this Administration has continued to push for a proper balance in the shared responsibilities of the private and public sectors. This has been a difficult assignment because of the recent confusion and pessimistic appraisals of the future caused by the political and economic shocks that have occurred. Maintaining and improving the creativity and productivity of the U.S. economic system against the attacks of critics who favor a big-government solution for the problems of society has become our greatest challenge. The simplistic cure of having government spend ever increasing amounts of borrowed money has not solved many of our problems but it has created serious economic distortions that will continue long into the future. We now have a Federal Government that is trying to do more than its resources will permit, to do many things that it cannot do very well, to do some things that it should never do at all, and to do all of these things at the same time. As a result, we now have more government than we want, more than we need, and more than we can afford. Nevertheless, much of the current political rhetoric continues to claim that we aren't spending enough, aren't creating enough new government programs, and aren't pushing enough panic buttons. Despite the unmatched accomplishments of the U.S. economy these critics attack the free enterprise system and demand comprehensive governmental control over economic planning for the allocation of our national resources -- the rationing of capital to selected industries -- guaranteed government jobs for all who want them -- increased control over private economic activities -- even a return to the counter-productive wage and price controls that have always failed. Although the American free enterprise system feeds, clothes and houses our people more effectively than any other system in the world and provides the real basis for all of our public services, it is increasingly subject to criticism from those who seem to favor turning to less efficient approaches which would waste our human and material resources and eventually erode our economic progress and political freedoms.

Part of the problem is a matter of image. Those who support increased government spending and pervasive controls over our daily lives are often perceived as being more concerned and socially progressive. Those who allegedly "care more" are given considerable attention when they call for more spending to solve the unmet needs of society even though the growth of big government has become a large part of the problem not the best solution it is alleged to be. At the same time, those who favor the free enterprise system too often converse in simplistic slogans that lack humane appeal. Worst of all, many businessmen who come to Washington seem to want to surrender their existing freedoms in exchange for protection from the competition that has made our system so dynamic.

It is now time -- in fact the need is long overdue -- for those who believe in the free enterprise system to more effectively promote its basic values. America has become the world's premier economy because it provides basic incentives to its people to work hard and to be creative. To the individual family this approach leads to a higher standard of living. To the business firm it means increased markets and larger profits. To our government it means increased effectiveness and public support.

In short, too many Americans -- especially those who have known only the affluent society -- are unaware of the real source of economic growth in our country. The material abundance, the freedoms of choice, the opportunities for meaningful work are all largely the result of the creativity and productivity of our free and competitive economic system. This is the crucial theme that must be communicated to all Americans until they understand it. The American economy is the well spring of our Nation's basic strength in every sphere -- political, social, military and economic. It is the source of our present abundance and the basis of our hopes for a better future. We can solve our recognized problems best by preserving and improving our uniquely productive system. And in doing this we will preserve our other freedoms that have made America so great.

The great historian, Arnold J. Toynbee, recognized these fundamental points when he wrote that great civilizations usually develop in difficult environments. The easy life seems to lead to decay while progress results from challenges. After analyzing sixteen dead civilizations and nine others that seemed to be declining he concluded that their deterioration was due to three major causes: (1) the failure of creative power; (2) the loss of a cooperative spirit on the part of the masses who supply the productive labor force; and (3) the consequent loss of social unity in society as a whole. Professor Toynbee went on to note that there is no inexorable pattern of decay for any civilization. The failure of a society is a human failure. It springs from the refusal of the people to work and sacrifice to attain worthy goals.

The United States now faces a basic choice. Yet we hear misleading political rhetoric that we can achieve our basic economic goals without making the necessary sacrifices required to produce and pay for the desired goods and services. Our magnificent country is capable of achieving any worthy goal it identifies but we must face up to many economic realities, particularly the obvious point that goods and services cannot be distributed to the consuming public unless they are first produced. We have the human and material resources necessary to operate our open and competitive economic system to achieve our goals if we will create the proper environment. How well we make these basic decisions will ultimately determine what future historians will write about America.

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ADDRESS BY THE HONORABLE WILLIAM E. SIMON
SECRETARY OF THE TREASURY
BEFORE THE
BUSINESS COUNCIL
HOT SPRINGS, VIRGINIA, OCTOBER 16, 1976

Thank you, Mr. Arthur Wood and members and guests of the Business Council:

It is a privilege and a pleasure for me to attend this gathering of an organization that numbers among its members some of the true leaders of this country -- business leaders who make our fantastically diverse, productive economic system work. I am delighted to have this opportunity to meet with friends, both old and new, and to hear from you as well as speak to you.

We all know that politics can make strange bedfellows, Some of the current Washington, scandals have made that pain fully clear. But, in preparing for this speech, I was reminded that ecomomics, too, sometines makes for strange bedfellows.

To be perfectly candid with you, in doing a little research for this gathering, I was amazed to find myself in agreement with a quote from a man who did not exactly share my enthusiasm for the private sector: His name was Nikolai Lenin and the quote in question is this: "Political institutions are a superstructure resting on an economic foundation."

Now a few weeks ago, if anyone had told me that I would open an address to the Business Council by quoting Lenin, I would have laughed him out of my office. But here I am, quoting the father of modern totalitarianism on economics and politics. To put it mildly, I think I owe you an explanation.

As so often happens with social thoreists Lenin made a number of the right observations for the wrong reasons -- and then proceeded to draw the wrong conclusions. Nevertheless, with the eye of a critical outsider, he did recognize some things about western democracy that we ourselves may have overlooked.

To begin with, Lenin clearly saw that our political institutitions were not an independent, organic whole. They were born, and they survive, because of a broader social foundation. With the single-mindedness of a fanaric, Lenin thought this foundation was entirely economic. Experience teaches us that it has many other aspects as well -- spiritual

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roots, shared experience and aspirations, geography and climate and, most importantly, the basic composition, and the dynamic vitality and freedom of the people themselves. All of these things combined to create the soil in which the political institutions of a nation take root.

But it is the economic foundation which ultimately means the most in practical terms, Regardless of a people's intentions or a leader's ambitions, a nation can only do as much, for better or worse, as its economic base can support. This is as true of the state bent on relieving human suffering as it is of the state bent on conquest.

Unfortunately, the importance of economics is equalled only by its dullness as a subject in the way it is ordinarily taught and discussed. It is, as the great 19th century historian Thomas Carlyle said, the "dismal science", boring people even while it shapes their lives and determines their futures. On the surface, economics seems little more than a pile of charts and a jumble of figures so large as to be incomprehensible in everyday terms.

This leads to some curious inconsistencies. The same citizen who bursts into a rage over a wandering Congressman who spends a few thousand dollars to put his young mistress on a committee payroll will blandly look the other way while the same Congressman and his colleagues, year after year, legislate tens of billions of dollars in spending and create massive deficits that wreak havoc with the economy. As Lenin's brutal, cynical successor, Joseph Stalin, once put it, "A single death is a tragedy, a million deaths is a statistic." And statistics bore us.

So the economic news is usually confined to a few gray columns of figures buried in the middle of the newspaper or a few seconds of dry reportage in the middle of the evening television news. It just doesn't make sexy headlines or exciting news stories. Yet the economy is the one thing that affects each one of us in every aspect of our lives -- from the food we eat, the quality of our education, our mobility and freedom of choice in careers and travel, to the selection and affordability of goods and services, our material and personal sense of independence, and our overall national strength and security as well. The smallest shock to the economy is felt in every limb of the body politic and shapes the way we vote and the way we view our present and plan for our future.

No one understood this better than our founding fathers. They knew that political and economic freedom must go hand in hand if they are long to survive and so they bequeathed to us a heritage of freedom and free enterprise that has given us greater liberty and greater affluence than any other nation has ever known.

Ironically, the American system has worked so well for so long that many of us today may be losing sight of how and why this mighty engine for human progress functions. I call it "the failure of success". The better the system works, the more envy and hatred it generates among its opponents and the more complacency and apathy it generates among its advocates. Intellectuals rant and rave over its small failings, using them as an argument for revolution instead of reform; politicians tap more and more of the bounty of the private sector to finance their pet programs and pack their favorite pork barrels; and the average citizen, not quite sure of what is happening, stays on the job -- whether he is a factory hand or a company executive -- keeping the American Dream alive in spite of increasing government interference and oppressive taxes.

Meanwhile, growing numbers of citizens -- especially those born into an affluent society which seemed to have no beginning or end, no cause and effect -- do not really understand the dynamics of prosperity and responsibility in a free society. We are fast becoming a nation of economic illiterates and, as economic ignorance increases, so too does economic irresponsibility on the part of too many of our leaders.

In nearly four years in Washington I have had ample opportunity to observe both the strengths and weaknesses of our system, its still untapped potential for good and the dangerous fissures that have formed through several decades of political abuse.

And my time at the Treasury has left me convinced that, to paraphrase Sir Winston Churchill, free enterprise is far from perfect, but it is the best economic system the human race has ever managed to devise.

What I would like to do today is take a brief look at where the American economy stands, and then discuss the responsibility that we in this room share to meet the two great long term challenges facing free enterprise.

To begin with, the short-term news about the American economy is good. We are now in the midst of a healthy and balanced expansion:

-- Inflation has been cut more than in half since the beginning of 1975.

-- Employment is at all-time highs;

-- Industrial output, retail sales, the GNP, personal income, have registered important gains.

And yet the decline in unemployment, though below its recession high point, is irregular and far slower than we are willing to tolerate. And inflation is by no means under firm control and remains the most dangerous enemy of that durable prosperity which we and all nations are seeking to achieve.

The ruinous inflation that crested in 1974 was the chief cause of the recession that followed. If we embark once again on a course of excessive fiscal and monetary policies, we will only rekindle another round of inflation and an even worse recession.

In our own economic interest, and in the interest of global economic stability, our first responsibility must be to stand by economic policies that will ensure healthy, balanced growth and prevent a resurgence of inflation. With responsible leadership, we can, and will do this.

That, in a nutshell, is where we stand today. But all the progress we have made will be rendered worthless if we do not address ourselves to the two long-term challenges to capitalism that I mentioned earlier. For want of better names, I would characterize these two challenges as educational and ethical. Both of them represent the soft, vulnerable underbelly of free enterprise.

In our era, when the main political struggle is between controlled societies and free ones, nothing is more vital to the survival of our economic way of life than a clear public understanding of free enterprise. And that requires business leaders with the courage, energy and understanding to articulate it.

The challenge to American business today, when so much of the world is lurching towards socialism or totalitarianism, is not only to make our system work, but to make it understood. And too many businessmen are shirking this responsibility, preferring the temporary security and seclusion of the board room to the rough and tumble of public debate.

The result is that private enterprise is losing by default -- in many of our schools, in much of the communications media and in a growing portion of the public consciousness.

By abandoning the field of public discussion to the opposition, by financing some of the very institutions that seek our downfall, and by following the inarticulate, cautious, I almost said cowardly, route -- we are digging our own graves.

The need today is not for gray men with an eye to nothing but the corporate balance sheet. What we need, and need desperately, is statesmanship in the business community -- leadership with guts, with conviction and with a firm ethical, intellectual and moral base.

No one is more aware of this than the opponents of free enterprise. Advocates of a state-controlled economy, whether they are communists, fascists or democratic socialists, base their own position on an ethical view, though a mistaken one. Their economic philosophy is deliberately linked to a general philosophy of life for, to the "true believer," Socialism and Marxism are not merely economic formulas, but all-embracing world views -- a kind of temporal religion.

Their systems do not work as well as free enterprise but, like all religious devotees, they are willing to suffer and sacrifice for their beliefs. Instead of automatically weakening their faith, adversity may even fortify it as long as they <u>believe</u> and as long as they feel that their belief is anchored to something of moral worth.

Those of us on the side of economic freedom are not so fortunate. The American free enterprise system has consistently outperformed Marxism and modified brands of socialism from the beginning, and continues to do so today. Any objective evaluation of economic performance clearly illustrates the United States superior record in both economic output and the equitable distribution of economic benefits.

Nevertheless, American free enterprise today is in serious danger of failing as a <u>belief</u>. The ethical and philosophic underpinnings of capitalism have not been thought out, articulated and then disseminated to the millions of average citizens who enjoy the direct material benefits and the indirect spiritual and political benefits our system provides. Nor is this lack of understanding merely confined to the economic layman. It also afflicts many of the men and women who lead industry and business. Small wonder, then, that the man on the street has his doubts about the system.

The problem is a complex one and is not confined to business alone; Vietnam, Watergate, student unrest, shifting moral codes, the worst recession in a generation, and a number of other jarring cultural shocks have all combined to create a new climate of question and doubt. The same opinion samplings that show a decline of public confidence in business beginning in the turbulent 1960s, also show declines in confidence for the professions, the clergy, organized labor, government, and politics. It all adds up to a general malaise, a society-wide crisis of institutional confidence.

There are, however, some specific symptoms and cures which apply particularly to the business community. The two we are discussing are, in my opinion, the most important -- the need for educating the general public to the social as well as economic benefits of the free enterprise system and the need to educate the business community itself to the relationship between good business and good citizenship: "reinforcing the ethical base of capitalism.

On the first score, it is ironic that at a time when Americans are enjoying such great abundance and such great opportunity, so many of us have lost sight of the principles and institutions that have made our way of life possible. But the truth is as inescapable as it is unpleasant; somewhere along the line there has been a dangerous breakdown in communications. Today, when nearly everyone takes the fruits of the free enterprise system for granted -- the abundance, the opportunity for learning, travel, individual freedom, and general upward mobility -- not everyone understands the basic economic facts of life that create all these benefits.

Part, but not all, of the problem is a matter of image. Frequently, and especially to youthful idealists, those who support a state-dominated economic system are perceived as concerned, socially progressive men and women who "care" -- in a nutshell, they are seen as the humane champions of the underdog. And, often enough, they really are the only ones who have effectively communicated their concern for social issues. It is the private sector which ultimately supplies new jobs and creates the material means for raising living standards, but the private sector seldom receives (and hardly ever clearly demonstrates its just claim to) credit from the man in the street.

Those who advocate strengthening the free enterprise system and who warn against injecting the government into every new economic and social problem that comes down the pike, are seen often depicted as either outdated theorists or selfish opportunists concerned only with personal gain and preserving the status quo. They find no smypathy in many university economic departments and little understanding in much of the media. To make matters worse, their own surface appearances often tend to confirm this impression, wrong though it is.

So our first challenge is education -- education of the public at large and greater self-understanding within the business community itself. One of the best ways to teach the pros and cons of any system is to compare it to the available alternatives. Most Americans never have been and, let us hope, never will be forced to experience first-hand what it means to live in a country where economic freedom has been destroyed or severely limited. Yet, if our system is to survive, our people must have a valid standard for comparison on both material and moral grounds. This can be achieved through education but, so far, it has not been.

Most Americans have never witnessed the seemingly-endless queues of workers and housewives that line up for hours outside state owned food and department stores in order to buy a poor selection of overpriced food staples and state-manufactured clothing and merchandise in countries when free enterprise has died.

They do not realize what a miracle of variety, economy and productive competition the average American shopping center would represent to most of the earth's people.

They have never asked themselves why a country like the Soviet Union, with some of the largest, richest tracts of grainland in the world, but with a government-owned and run agricultural system, cannot even feed its own people without turning to American farmers who own their own land, make their own economic decisions and feed not only their own people, but millions of others as well.

They have not had to suffer the loss of opportunity, the social unrest and economic instability of western democracies where the post-war years of cradle-to-the-grave welfare and government stifling of private sector initiative have led to economic stagnation and the demoralization and mass emigration of the productive middle income class.

Too often they have been taught to distrust the very word profit and the profit motive that makes our prosperity possible, to somehow feel this system, that has done more to alleviate human suffering and privation than any other, is somehow cynical, selfish, and amoral.

And, of course, they have never lived in the countries where the seemingly unselfish and idealistic dream of a nonprofit, propertyless society has turned into a nightmare reality -- where the state and the state alone dictates what kind of education you will receive; whether or not you will be allowed to travel; what books you can read; what kind of job you have; what you will be paid, what merchandise you can buy with your earnings; where you will live; what medical treatment you will receive; what your children will be taught; and ultimately, where you will be buried.

Only when economic freedom has already been destroyed is its vital relationship to personal freedom and opportunity vividly demonstrated. And when the process of erosion is gradual it is like the poisoning of Socrates by Hemlock; numbing begins in the extremities and moves inexorably until it extinguishes the spark of life. As Alexander Hamilton warned so long ago, "Power over a man's substance amounts to power over his will." Unfortunately, however, economic freedom, like clean air, is something that most people do not really appreciate until it begins to run out -- and then it is often too late.

Today we have reached a point where, although the free enterprise system works, and works better than any other economic system in effect anywhere in the world -- feeding, clothing, and housing more people more humanely than any other while allowing them the enjoyment of our other basic freedoms -- it is losing the semantic war to an alien philosophy of government control that has never worked but somehow has managed to preserve an aura of idealism, altruism and ethical soundness -- at least when viewed without detailed knowledge and from a comfortable distance.

So the first part of the challenge for American capitalism is clear. We must get across the human side of capitalism, the fact that free enterprise has been and continues to be a force for human good and, in its correct application, an extension of much that is finest in our Judeo-Christian spiritual and ethical tradition.

But better economic education by itself is not enough. There are also serious internal questions that must be addressed. And of these none is more important than business ethics.

"Ethics" -- even the word sounds stuffy and remote, doesn't it? Yet, in a period when consumerism is foremost in the public mind, and when a new generation is taking a second look at the economic system which many of us take for granted, business ethics take on a new importance.

Let me level with you. I'm worried. I am genuinely concerned that, unless more of the leaders in the business community start paying more attention to the moral side of capitalism, capitalism may be in very serious trouble.

It's quite true that only a very small percentage of American businessmen engage in corrupt or unethical practices. But the vast majority of honest businessmen must recognize that this tiny minority of spoilers is giving a black eye to our whole free economic system -- and providing the enemies of our system with lethal ammunition.

Now I am well aware that for every business deception and every corporate caper there are plenty of glib excuses. Local customs, the need to cut corners, the belief that "Everyone else is doing it" -- I'm sure you've heard them all too.

But that lame excuse ignores the fact that America is supposed to stand for something more -- something better -- than the old, discredited law of the jungle.

As one distinguished veteran of the American business scene, Mr. Stanley Marcus, has said, "Our credo should not be 'When in Rome do as the Romans do.' Rather, it should be, 'When in Rome, do as the Americans are supposed to do.'"

You have to pay for a code of ethics and sometimes the cost is high. It may mean writing off some tempting markets where a pay-off is the price of admission. But, in the long run, the alternative is far more costly. For the alternative is nothing less than the replacement of honest competition by bribery and corruption. And free enterprise without honest competition ceases to be free. It may be corporate enterprise -- the scramble of several large business concerns to outsmart and out rig each other -- but it is no longer part of a free, self-adjusting market. For without honest, open competition, there is no corporation in the world that is wise, moral or far-sighted enough to voluntarily correct its own mistakes for long. Competition is the key, the catalyst, to human progress. Take it away and the system suffocates, whether it is a naked example of state socialism or a corporate oligarchy or protected monopolies.

That is why I don't buy excuses for corporate corruption. Maybe I'm naive, but I still believe that honesty really <u>is</u> the best business policy. It seems clear to me that corruption -- whether it involves questionable angling for overseas contracts, illegal contributions to office holders, or any other form of graft or payola -- hampers the effective functioning of the market place. It leads to higher prices, lessened responsiveness to the consumer and lower quality of goods and services.

It is the exact opposite of the capitalist ideal -- for both the producer and the consumer.

So, when I begin to preach the gospel of business ethics, believe me, I am preaching it for the sake of business as well as ethics! To me, the two are inseparable.

The real question facing American business is not whether it can "afford" stronger ethical standards, but how much longer it can go on without them.

Of course, most businesses do have a high standard of ethics. But they simply are not visible, in a dramatic way, to the general public. Corruption, on the other hand, sticks out like a sore thumb and is capitalized on by every elitist social planner and intellectual utopian as an excuse for creating more state controls and stifling more individual freedom. And never forget, as we witness the steady villification of business and management in too much of the mass media, that today's popular misconceptions all too often shape tomorrow's statutes -- as witness the Arab Boycott legislation that swept in on a wave of unreasoned emotion.

Our entire way of life is held together by voluntary, society-wide bonds of mutual trust and respect. Once those bonds are broken -- once public confidence falls too low, as the polls show it falling today -- the whole social framework collapses. And when that happens, it's all over for everything -- government, democracy, free enterprise and our whole way of life.

Now, let's ask ourselves -- who has been undermining public confidence in the free enterprise system that we all believe in? Of course, some groups have always been opposed to it. We take that for granted. They've always been against it and always will be. But, in 200 years of American history, they've never made much difference by themselves.

Our system really gets into trouble when its friends -- not its enemies -- begin to sell it short.

And today, too many of the people you and I think of as allies and fellow believers have begun to lose faith in their beliefs. They say they believe in competition, but, when government offers a subsidy, their competitive standards go out the window. They say they believe in free enterprise, but what they want most in the world is a secure, guaranteed future.

As Adlai Stevenson once said, " . . . it is often easier to fight for principles than to live up to them." Too many leaders in American business have been talking a good fight but -- when it comes to the basics -- have abandoned their moral values for quick, easy profit.

Now that may work for a while. But it won't work forever. The day will come when it's all over -- when the same government that has given you security takes away your independence.

There's a very simple but very timely old Roman proverb. It says that "A good reputation is more valuable than money." That's an old idea, but, like so many eternal truths, it has its modern application. To quote Stanley Marcus once again, "There is never a good sale for Nieman-Marcus, unless it's good for the customer."

Isn't that what capitalism is all about? The age-old struggle within the ranks of free enterprise has not been between capitalists and communists. It has been, and is, between honest businessmen who recognize the ethical, and utilitarian basis for sustained prosperity and those who lose sight of it in persuit of a fast buck.

This great but sometimes confused nation of ours was born in turmoil. Conflict and doubt are nothing new to us. They didn't stop us 200 years ago and they shouldn't stop us now. It is no accident or blind fate that has made America so rich and abundant a land. You can't legislate inventiveness or prosperity; we have no more born geniuses or natural inventors and industrialists that any other country. But we do have a free system in a world where many other countries are not free. And, through it, we encourage the talent that lies within individuals in a way that most other societies have failed to do.

The result has been not just profits for the few, but a better and freer life for the many. Isn't that the acid test-- the bottom line-- of so much of the ideological arguement and specualtion going on today? Compare the systems-- ours works. And, in large measure, it works because of people like you-- people who believe in the value of a service or product but, even more importantly, believe in the value of a way of life that is uniquely American.

My time at the Treasury will soon be over. Some months ago I decided that, regardless of the outcome of the election, I will return to private life in January. But leaving the Treasury does not mean abandoning public affairs. I have a deep-seated concern about the direction our country is headed in and I continue to stand up for the principles of political and economic freedom in the public arena as a concerned citizen. I urge each of you to do the same.

Don't get me wrong. I don't regret a moment of the time I have spent in government. It's been a very rich and rewarding experience. While I have a few scars to show for some of the stands I have taken, I'm grateful for the chance I had to take those stands and serve my country.

But the more I have seen of government, the more I recognize the limits of what it can do for people -- as opposed to what it can do to them.

Government can change the law, but it cannot change human nature. Government can impede or ease the way for individual initiative. But only the individual himself can create, can change, can brave new horizons.

More than anywhere else, that is what happens here in America. Our greatest progress has come through individuals--not through voter blocs or special interest groups. It happens through organizations like this, in company offices like yours, in schools and labs and libraries and civic groups across this great land of ours where, every day, individuals with a better idea are solving problems and creating new opportunities.

What we call the American experience -- the American story -- is the sum total of those individual contributions. And each of us is a small but important part of it. That, more than any great document or charismatic leader, is what sums up the true meaning and purpose of America. And that is what we must preserve.

Thank you.

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Department of the TREASURY NEWS
HINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE October 14, 1976

RICHARD S. KOFFEY NAMED
DEPUTY TAX LEGISLATIVE COUNSEL

Secretary of the Treasury William E. Simon today announced the appointment of Richard S. Koffey as Deputy Tax Legislative Counsel for the Treasury Department. Mr. Koffey's appointment was effective October 5, 1975. He succeeds former Deputy Tax Legislative Counsel Victor Zonana, who resigned to return to New York University as Professor of Law.

As Deputy Tax Legislative Counsel, Mr. Koffey will provide assistance and advice in matters of domestic tax policy including tax legislation to the Assistant Secretary of the Treasury for Tax Policy, Charles M. Walker.

Mr. Koffey joined Treasury in September 1975 as an Attorney-Advisor on the staff of the Tax Legislative Counsel. From 1970 to 1975, Mr. Koffey, a member of the New York Bar, was an associate with the New York law firm of Dewey, Ballantine, Bushby, Palmer and Wood.

Mr. Koffey was born in Albany, New York on October 18, 1944. He received his B.A. degree in 1966 from Cornell University and his J.D. degree cum laude from Columbia University Law School in 1969. He is married to the former Anne Louise Drake of Framingham, Massachusetts. They have one child, Nicole, and reside in Washington, D.C.

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WS-1127

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE October 13, 1976

PARSKY NAMES HOWARD L. WORTHINGTON AWARD WINNER

Assistant Treasury Secretary for International Affairs, Gerald L. Parsky, today named Jerry Newman, a fourteen-year career employee, as the first recipient of the Howard L. Worthington Award, which was established to provide recognition for individual excellence in the formulation and implementation of international economic policy.

Mr. Newman, who is Director of the Treasury Department's Office of Developing Nations is the first recipient of the award named in Howard L. Worthington's memory. Mr. Worthington served as Deputy Assistant Secretary of the Treasury for Trade and Raw Materials Policy and had a distinguished career in federal service spanning over two decades. A former Foreign Service Officer, Mr. Worthington died of a heart attack in April, 1975.

In commenting about Mr. Newman, Parsky said, "Through his work on Middle East affairs as well as on a variety of international economic issues, Jerry Newman has demonstrated the kind of dedication, imagination and excellence that Howard Worthington exemplified during his distinguished career in federal service."

Jerry Newman, 36, a graduate of the University of Virginia (B.A.) and George Washington University (M.A.), is married to the former Theresa Fratta and resides in Falls Church, Virginia.

WS-1128

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Department of the TREASURY NEWS
HINGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE AT 12:00 NOON October 15, 1976

TREASURY TO AUCTION $2,500 MILLION OF 2-YEAR NOTES

The Department of the Treasury will auction $2,500 million of 2-year notes to refund $1,481 million of notes held by the public maturing October 31, 1976, and to raise $1,019 million new cash. Additional amounts of these notes may be issued at the average price of accepted tenders to Government accounts and to Federal Reserve Banks for their own account in exchange for $98 million maturing notes held by them, and to Federal Reserve Banks as agents of foreign and international monetary authorities for new cash only.

Details about the new security are given in the attached highlights of the offering and in the official offering circular.

Attachment

WS-1129

HIGHLIGHTS OF TREASURY
OFFERING TO THE PUBLIC
OF 2-YEAR NOTES
TO BE ISSUED NOVEMBER 1, 1976

October 15, 1976

Amount Offered:

To the public....................................	$2,500 million

Description of Security:

Term and type of security......................	2-year notes
Series and CUSIP designation...................	Series S-1978 (CUSIP No. 912827 GB 2)
Maturity date..................................	October 31, 1978
Call date......................................	No provision
Interest coupon rate...........................	To be determined based on the average of accepted bids
Investment yield...............................	To be determined at auction
Premium or discount............................	To be determined after auctio
Interest payment dates.........................	April 30 and October 31
Minimum denomination available.................	$5,000

Terms of Sale:

Method of sale.................................	Yield auction
Accrued interest payable by investor...........	None
Preferred allotment............................	Noncompetitive bid for $500,000 or less
Deposit requirement............................	5% of face amount
Deposit guarantee by designated institutions...	Acceptable

Key Dates:

Deadline for receipt of tenders................	Thursday, October 21, 1976, by 1:30 p.m., EDST
Settlement date (final payment due)	
a) cash or Federal funds..................	Monday, November 1, 1976
b) check drawn on bank within FRB district where submitted...........	Wednesday, October 27, 1976
c) check drawn on bank outside FRB district where submitted...........	Monday, October 25, 1976
Delivery date for coupon securities...........	Monday, November 1, 1976

he Department of the TREASURY NEWS
ASHINGTON, D.C. 20220 TELEPHONE 964-2041

For Release on Delivery

Statement of the Honorable Edwin H. Yeo, III
Under Secretary of the Treasury for Monetary Affairs
Before the
Subcommittee on International Economics
of the
Joint Economic Committee
Monday, October 18, 1976
11:00 A.M.

Mr. Chairman, and Members of the Subcommittee:

In calling these hearings, you have drawn attention to the need to move to the next phase of international monetary reform -- the operational phase. For several years the world was engaged in the complex task of designing a monetary system. Now we must make the system work. As nations move toward ratification of the amended IMF Articles, we must translate the philosophy of that charter into practice, and develop the operating procedures for putting the new system into force. If the job of applying the new system seems intellectually less exhilarating than the job of creating it, certainly the present task is of no less importance for the world economy. Nor do I think it will be less difficult. I am grateful to the Subcommittee for an opportunity to comment on this important work -- though my comments will, at this early stage, of necessity be tentative and general.

The subject of these hearings is "Guidelines for Exchange Market Intervention." But that subject should be seen in a larger context. Under the Jamaica agreements, we and other nations aim at assuring orderly exchange arrangements and promoting a stable system of exchange rates. That objective of course cannot be attained solely, or even most importantly, by exchange market intervention. Rather it will be attained by the continuing development of orderly underlying economic and financial conditions in the member countries. The new system recognizes -- as events in recent years have proved in many countries -- that without such stable underlying conditions, no amount of exchange market intervention will assure stability, but that with stable conditions and limited intervention, orderliness and gradual change will characterize the exchange markets. The focus of the new system is thus much broader than exchange market intervention.

The IMF is specifically charged under the amended Articles with surveillance of members' exchange rate policies. The new Article IV, Section 3(b), says that the IMF, "shall exercise firm surveillance over the exchange rate policies of members, and shall adopt specific principles for the guidance of all members with respect to those policies." This is a central feature of the operation of the new system. The purpose of this surveillance is to enable the IMF to fulfill its functions of overseeing the international monetary system to ensure its effective operation, and of overseeing the compliance of each member with its obligations. Thus IMF surveillance of exchange rate policies -- and principles which may be adopted as a framework for that surveillance -- should in my view not be limited to questions of exchange market intervention but should have a wider focus, if we are to assure that nations do not manipulate exchange rates to the disadvantage of others, and if we are to assure that members' exchange rate policies facilitate rather than counter effective balance of payments adjustment.

How then do we work out the techniques of surveillance, and develop the needed principles, so essential to the successful functioning of the system? I must tell you that there are differing views on this question.

Some have argued that precise guidelines for IMF surveillance of members' exchange rate policies should have been delineated in the amended Articles. I disagree on two counts -- first, that there should be detailed rules, and second, that any such rules should be incorporated in the Articles.

On the second point, the Articles should not in my view impose detailed operating rules and procedures on the international monetary system. The Articles, after all, are meant to serve as the Fund's constitution, not a detailed contract. Even if we were all agreed on precise guidelines that should be adopted for assessing members' exchange rate policies, it would be wrong to incorporate them in the Articles. We learned from Bretton Woods the difficulties of having a charter filled with detailed rules which can too soon become obsolete or inapplicable -- indeed, a major advantage of the Jamaica agreement is that we are moving to a charter which avoids so many detailed rules and contains appropriate elasticity to allow the system to adapt to changing conditions.

But more importantly, irrespective of where they might be embodied, I do not agree that the IMF should delineate hard and detailed rules by which each members' performance with respect to exchange policies would be judged. It is in my view neither appropriate nor possible that this important Fund surveillance work through the application of detailed rules and precise formulas. We do not have the capability, the experience, or the knowledge, to develop such a set of rules to be applied across a broad spectrum of individual national situations. It is particularly difficult to apply rigid formulas equitably to economies that differ as profoundly as in the IMF membership -- where the gross national product of the largest member is 60,000 times as large as that of the smallest member; where some members have no capital markets while others have highly developed and sophisticated markets' where economic structure and elasticities of price and income can vary widely; and where the relative importance of international transactions to domestic economies differs greatly. Rigid rules and formulas simply won't work in such situations.

Nor would I agree with those who would call on the Fund to attempt to determine a set of "target" exchange rates toward which each nation's policies should be directed. There are those who believe that a comparison of statistical data on prices or costs in individual countries can reveal appropriate exchange rates. That approach is subject to insurmountable difficulties, both theoretical and practical. While it may indicate that some rates are inappropriate, it cannot be depended on to indicate what rates are proper. It is tantamount to continuous renegotiation of a par value system, based on statistics which are of necessity both partial in coverage and backward-looking in approach. In practice, it may prove to be nothing more than a veiled approach to a return to fixed rates.

How then should the Fund proceed in its surveillance of members' exchange rate policies? In my view we should proceed by a careful and evolutionary approach. We should cultivate more fully the IMF's consultative processes and refine its procedures for monitoring member countries' economic and financial policies. Rather than adopting a sweeping preconceived, rigid economic code, we need to construct, through a case-by-case approach, a common law based on case history. If we proceed in this manner, we will be able to delineate on the basis of experience broad principles of behavior with regard to what constitutes appropriate adjustment policies, and what constitutes manipulation of exchange rates. The development -- and the acceptance -- of these principles cannot be forced. But over time workable codes can be expected to emerge, through consultation with members and through the monitoring of their activities.

I hope the Fund will proceed cautiously in this work. The world faces a new situation, in some ways a dramatically different situation from the past, and history may not provide the best guide for the future. Our experience is drawn from a past that may not be fully relevant, and our attempts to distill this experience into detailed blueprints for the future may be more harmful than helpful.

Mr. Chairman, in addition to commenting on the general question of developing principles and guidelines for IMF surveillance, you have also asked me to speak to the question of whether, since Rambouillet and Jamaica, other industrial countries have been persistently intervening in exchange markets to maintain their currencies overvalued or undervalued relative to the dollar.

The short answer, in my judgment, is no. I do not think we have a basis for objecting that large or persistent intervention has been conducted to over- or undervalue other currencies at the expense of the dollar. There has been a substantial amount of exchange market intervention in the 11 months since Rambouillet, much of it related to operations within the EC snake, and I would certainly not want to defend each and every action. But I do think I detect some progress over that period. I think there is increased recognition of the doubtful value of efforts to "defend"by exchange market intervention a particular exchange rate which is fundamentally at odds with underlying conditions and market judgments. Also -- this is the other side of that same coin I think there is greater understanding of the need for both surplus and deficit countries to allow exchange rates to play their appropriate role in facilitating balance of payments adjustment. There may in fact be an emerging consensus on future intervention policy. But I would like to comment briefly on other points implicit in your question before outlining that consensus.

My first point relates to the meaning of what was agreed to at Rambouillet and Jamaica. These meetings resulted in understandings in five important areas: 1) development of a shared analysis of the causes of instability in the international economy; 2) recognition that achievement of monetary stability requires achievement of stability in underlying international economic and financial conditions; 3) recognition that countries should intervene to counter disorderly exchange market conditions, with the judgment about whether to intervene to be left to the individual country concerned; 4) recognition of the need to strengthen consultative procedures among finance ministries and central banks of the major countries; and 5) development of a specific text of amended Article IV of the IMF Articles of Agreement to be proposed to other IMF members.

It is important to recognize that neither the Rambouillet understandings, nor the text of new Article IV agreed upon at Jamaica, prohibit exchange market intervention per se -- even intervention that may persist for a time. Indeed, the text of amended Article IV will specifically permit members to maintain pegged rates for their currencies, "common margins" arrangements such as those presently maintained by several European countries, or other arrangements of their choice. The fundamental obligation regarding exchange rates laid out in amended Article IV is to "avoid manipulating exchange rates or the international monetary system in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other members." That obligation does not relate exclusively or even necessarily to exchange market intervention.

My second point is that, while the amended Articles clearly express the will of the IMF membership regarding the framework for future international monetary arrangements, those amended Articles do not yet have legal effect. The first task is to secure ratification of the amended Articles, a process that has received major impetus from passage of our own legislation by the Congress a few weeks ago. But we must be very wary about anticipating obligations that are not yet legally binding and about reaching judgments regarding member countries' current policies based on obligations that will not exist for at least some months to come.

But despite the problems, the uncertainties, my own judgment is that there has been an increasing and healthy coalescence of views on appropriate exchange market behavior and intervention policy since Rambouillet and Jamaica. All agree that exchange market intervention may be useful to counter disorderly market conditions. More importantly, more and more countries appear to be coming to the view -- in some cases, after repeated hard and costly lessons -- that intervention that attempts to do more may be counter-productive and disruptive. And most recently, the Interim Committee has enunciated several general principles for operation of the system that we think are extremely important in today's circumstances of widespread payments imbalance. These are essentially that:

-- countries in structural deficit must stabilize their internal economies;

-- industrial countries in stronger positions should pursue expansionary -- but not inflationary -- domestic policies and maintain unrestricted access to their markets; and

-- all countries, deficit and surplus, should permit appropriate changes in their exchange rates to facilitate needed balance of payments adjustment.

These principles are indeed broad, but if they are applied -- and that is our objective -- they are a prescription for needed adjustment and achievement of international monetary stability. This is the main task before us.

Thank you very much.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE AT 4:00 P.M. October 15, 1976

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $6,000 million, or thereabouts, to be issued October 28, 1976, as follows:

91-day bills (to maturity date) in the amount of $2,500 million, or thereabouts, representing an additional amount of bills dated July 29, 1976, and to mature January 27, 1977 (CUSIP No. 912793 E3 6), originally issued in the amount of $3,606 million, the additional and original bills to be freely interchangeable.

182-day bills, for $3,500 million, or thereabouts, to be dated October 28, 1976, and to mature April 28, 1977 (CUSIP No. 912793 F8 4).

The bills will be issued for cash and in exchange for Treasury bills maturing October 28, 1976, outstanding in the amount of $6,004 million, of which Government accounts and Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold $2,752 million. These accounts may exchange bills they hold for the bills now being offered at the average prices of accepted tenders.

The bills will be issued on a discount basis under competitive and non-competitive bidding, and at maturity their face amount will be payable without interest. They will be issued in bearer form in denominations of $10,000, $15,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value), and in book-entry form to designated bidders.

Tenders will be received at Federal Reserve Banks and Branches and from individuals at the Bureau of the Public Debt, Washington, D. C. 20226, up to one-thirty p.m., Eastern Daylight Saving time, Friday, October 22, 1976. Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. 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.

Banking institutions and dealers who make primary markets in Government

WS-1131

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securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others 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 bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. 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 $500,000 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 or Branch or at the Bureau of the Public Debt on October 28, 1976, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 28, 1976. 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.

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 considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of bills (other than life insurance companies) issued hereunder must include in his Federal income tax return, as ordinary gain or loss, the difference between the price paid for the 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.

Department of the Treasury 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, or from the Bureau of the Public Debt.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

(CORRECTED COPY)

FOR IMMEDIATE RELEASE | October 18, 1976

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $2,400 million of 13-week Treasury bills and for $3,400 million of 26-week Treasury bills, both series to be issued on October 21, 1976, were opened at the Federal Reserve Banks today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing January 20, 1977			:	26-week bills maturing April 21, 1977		
	Price	Discount Rate	Investment Rate 1/	:	Price	Discount Rate	Investment Rate 1/
High	98.795 a/	4.767%	4.89%	:	97.524 b/	4.898%	5.09%
Low	98.784	4.811%	4.94%	:	97.513	4.919%	5.11%
Average	98.787	4.799%	4.93%	:	97.517	4.911%	5.11%

a/Excepting 1 tender of $510,000
b/Excepting 1 tender of $600,000

Tenders at the low price for the 13-week bills were allotted 89%.
Tenders at the low price for the 26-week bills were allotted 29%.

TOTAL TENDERS RECEIVED AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Received	Accepted	:	Received	Accepted
Boston	$ 20,320,000	$ 13,320,000	:	$ 141,345,000	$ 26,345,000
New York	3,566,145,000	1,948,845,000	:	5,548,220,000	3,142,290,000
Philadelphia	20,400,000	20,400,000	:	12,375,000	7,375,000
Cleveland	37,995,000	37,845,000	:	181,230,000	41,230,000
Richmond	23,510,000	23,510,000	:	19,860,000	8,860,000
Atlanta	24,310,000	23,755,000	:	11,785,000	11,785,000
Chicago	342,450,000	104,350,000	:	347,275,000	45,175,000
St. Louis	51,090,000	25,730,000	:	45,435,000	19,435,000
Minneapolis	31,510,000	13,180,000	:	45,160,000	9,160,000
Kansas City	31,200,000	31,200,000	:	13,435,000	12,935,000
Dallas	18,345,000	13,345,000	:	12,655,000	12,655,000
San Francisco	410,885,000	144,955,000	:	307,950,000	62,910,000
Treasury	65,000	65,000		90,000	90,000
TOTALS	$4,578,225,000	$2,400,500,000 c/		$6,686,815,000	$3,400,245,000 d/

c/ Includes $343,015,000 noncompetitive tenders from the public.
d/ Includes $154,015,000 noncompetitive tenders from the public.
1/ Equivalent coupon-issue yield.

WS-1132

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE October 21, 1976

RESULTS OF AUCTION OF 2-YEAR TREASURY NOTES

The Treasury has accepted $2,502 million of $4,102 million of tenders received from the public for the 2-year notes, Series S-1978, auctioned today.

The range of accepted competitive bids was as follows:

Lowest yield	5.88% 1/
Highest yield	5.99%
Average yield	5.96%

The interest rate on the notes will be 5-7/8%. At the 5-7/8% rate, the above yields result in the following prices:

Low-yield price	99.991
High-yield price	99.787
Average-yield price	99.842

The $2,502 million of accepted tenders includes 94 % of the amount of notes bid for at the highest yield and $ 239 million of noncompetitive tenders accepted at the average yield.

In addition, $408 million of tenders were accepted at the average-yield price from Government Accounts and Federal Reserve Banks for their own account in exchange for notes maturing October 31, 1976, ($98 million) and from Federal Reserve Banks as agents for foreign and international monetary authorities for new cash ($310 million).

1/ Excepting 2 tenders totaling $2,060,000

WS-1133

e Department of the TREASURY NEWS
SHINGTON, D.C. 20220 TELEPHONE 964-2041

ADDRESS BY THE HONORABLE WILLIAM E. SIMON
SECRETARY OF THE TREASURY
BILL PALLOT INTERNATIONAL AWARDS DINNER
CORAL GABLES, FLORIDA
OCTOBER 22, 1976

Thank you Mr. Fisher, Mr. Pallot, Mr. Borman, distinguished guests, ladies and gentlemen:

It is a special pleasure for me to be here this evening at an event honoring the contributions of such distinguished Americans as Bill Pallot and Frank Borman to their communities, and to our country.

It is also a distinct privilege to appear before members and friends of the International Center, which has done so much in the past six years to promote international understanding and cooperation in the fields of education, international trade and culture. Your fellowships, your seminars, your cultural programs, your trade missions and your other worthy programs have contributed much to greater understanding of the increasingly complex issues of our increasingly interdependent world and of America's role in it.

This afternoon I had the pleasure of speaking to hundreds of University of Miami students at an event sponsored by Invest-In-America, a fine grass roots organization that is fighting on the front lines to save our Free Enterprise System. I spoke about the system, about the enormous benefits it has given us and about the insidious threat it faces from the growth of government -- a threat which could corrode the system by eating at the foundations of our economic and individual freedoms.

I spoke of the growing dominance of government over our lives as measured by ever expanding federal budgets, and budget deficits, ever-increasing governmental regulations and a tax system and transfer programs that are eroding the middle income class. And I quoted the words of Alexander Hamilton: "Power over a man's substance is power over his will."

Another great American, Daniel Webster, solemnly reminded his countrymen that, "God grants liberty to those who love it and are always ready to guard and defend it." Now it is fairly easy to defend our liberty when it is faced with external threats. When foreign enemies threaten, the danger is clearly defined and Americans have always united in opposing it.

But today we face a danger that is every bit as great as any foreign enemy, but which is far less obvious and more insidious -- an internal danger that is slowly but surely eroding our individual political and economic liberty -- the substance and the will which Alexander Hamilton referred to.

Faced with the ever-encroaching influence of government over our lives, many citizens do not take the threat seriously. They fail to realize that the time is at hand to face up to Mr. Webster's challenge now -- before it is too late. Meeting this challenge head-on is vital to our future as a free people to our economic growth and stability, and to our role in the community of nations.

The challenge must be met because we are at a crossroads in our evolution as a free society where we face an all important choice -- a choice between the freedom for each of us to live our lives as we best see fit, or the surrendering of more of that freedom to an increasingly powerful government in exchange for a false promise of security and permanent prosperity. As Gibbon saw it the ancient Athenians faced that choice too. "But in the end," he wrote in his epitaph for ancient Athens, "more than they wanted freedom, they wanted security. They wanted a comfortable life and they lost it all -- security, comfort and freedom. When the Athenians finally wanted not to give to society but for society to give to them, when the freedom they wished for most was freedom from responsibility, then Athens ceased to be free."

That is the issue, If ever there was a time then, when the preservation of our freedoms was vital to every citizen in every walk of life in our country and throughout the world, that time is now.

When we examine America's role in the world, we can see the importance of the challenge ahead. Without doubt, one of the most important contributions our country has made in this generation, working together with the world community, has been on the economic front. Our economic policies, both domestic and international have been geared to the goal of a stable world order. And it is this subject that I would like to explore with you today.

Many of you are probably familiar with the old Chinese saying: "May you live in interesting times." All of us, I believe, would agree that, from an economic as well as a political point of view, we have been living in particularly interesting times. In the past few years the world economy has sustained a number of severe jolts -- a fourfold increase in oil prices, large-scale money movements between nations, collapse of the old monetary order, inflation and recession. These have had an enormous impact on the economies of developed and developing nations alike and fluctuations in economic fortunes have led to changes, at times abrupt, in the political fortunes of these countries.

The role of the United States in meeting these challenges has been vital. A quarter century ago, it was commonplace to observe that when the U.S. sneezed, the world caught cold and when the U.S. caught cold, the world came down with pneumonia. While that is no longer as true today as it was then, we are still the major economic force in the world. With less than 6 percent of the world's population we account for over 25 percent of its annual production, and our exports and imports each are running at over $100 billion annually -- more than those of any other single nation.

The health of the U.S. economy, then remains vital to the economic health of other countries. And their political and social stability depends in large measure on their economic health. These past years have clearly demonstrated to us and many others that no nation or group of nations can solve their economic problems in isolation. We have witnessed how inflation and recession affect us all. We have observed that no country can achieve success by attempting to export its economic troubles. And we have come to see that the most significant contribution we can make to economic progress in the world is to restore durable prosperity in our own domestic economies.

For the United States this means, first, that we must follow stable fiscal and monetary policies aimed at reducing inflation and laying the foundation for durable, non-inflationary domestic growth, and second, that we must translate these same policies internationally to assure the existence of a free and open world trade and investment order. That, it must be recognized, will be American's greatest contribution to world economic stability. And, because the smallest shock to the economy is felt in every limb of the body politic and shapes our lives today and in the future, fulfillment of that goal will be a significant contribution to world political stability as well.

At home, our economy is in the midst of a healthy and balanced recovery:

-- Inflation has been cut more than in half since the beginning of 1975.

-- Employment is at all-time highs.

-- Industrial output, retail sales, the GNP, personal income, have registered important gains.

And yet the decline in unemployment, though below its recession high point, is irregular and far slower than we are willing to tolerate reflecting the lagged effect of the recession and the unprecedented surge of new workers into the labor force. And inflation is by no means under firm control and remains the most dangerous enemy of that durable prosperity which we and all nations are seeking to achieve.

The ruinous inflation that crested in 1974 was the chief cause of the recession that followed. If we embark once again on a course of excessive fiscal and monetary policies, we will only rekindle another round of inflation and an even worse recession.

In our own economic interest, and in the interest of global economic stability, our first responsibility must be to pursue economic policies that will ensure healthy, balanced growth and prevent a resurgence of inflation.

Thus one of the biggest contributions we can make to global economic health begins right here at home. We uphold not only a narrow national interest, but the economic well being of our neighbors and trading partners around the world.

In shaping our international economic policies we must emphasize the same principles of open markets and competition that have served America so well during its two-hundred year history. The monetary reform we have already achieved and our current trade reform efforts can shape the world economic system far into the future. We can either promote increased competition, the reduction of tariffs and non-tariff barriers, equitable trading rules and open access to markets and raw materials; or, the world economy will develop unwanted cartels to control prices and supplies, protectionism will once again disrupt the flow of trade and capital, and instead of greater international cooperation and shared progress, the world marketplace will be plagued by negative conflicts and economic stagnation.

In the area of international monetary affairs, the past several years have shown progress and accomplishment. After years of difficult and sometimes contentious debate, the United States and other IMF member nations have reached fundamental agreement on a comprehensive reform of the international monetary system, a reform that will bring the system into line with today's needs and realities and provide a flexible framework for adaptation to a dynamic world economy.

The new monetary system builds importantly on two cirtical features of the Bretton Woods framework.

-- First, the central, pivotal role of the IMF as the institutional heart and monitor of the system will be continued and strengthened.

-- Second, the essential aims of Bretton Woods, which give cohesion and direction to the philosophy of a liberal world monetary order, will be reaffirmed.

But while the new system provides the same aims as the Bretton Woods system and continues to rely primarily on the IMF as the institution for achieving its purposes, it differs in other critical respects.

The Bretton Woods system was created against the backdrop of a different world -- the world of the 1930's and 40's in which levels of international trade were very low; in which capital flows had virtually dried up and the value of international investment to international prosperity was not recognized; in which interest rate and monetary policy instruments had fallen into relative disuse; in which the attention of policy officials was directed single-mindedly toward jobs and employment goals.

It is understandable that features of a monetary system designed to meet the problems of that world could become obsolete and anacronistic in the conditions of today. The structure of the world economy has changed and the problems have changed. Between 1950 and 1975, alone, the level of trade among market economies has increased from $50 billion to $800 billion. Capital flows have reached proportions that would astound the men of an earlier era, Harry Dexter White and Lord Keynes. And these same men would be saddened and baffled by the struggle of nations to get below double-digit inflation and at the same time deal with the modern day twin of inflation and a high level of unemployment.

Bretton Woods was based on the idea that stability could be imposed from without. Keynes and White, the architects of the system, assumed that if countries were required to adhere to fixed exchange rates, to be altered only after fundamental economic changes had occurred, and were supplied with moderate amounts of credit from the International Monetary Fund, that arrangement would provide adequate leverage -- at least on deficit members -- to encourage stable economic policies.

The system had an elegant symmetry but even in its heyday it did not work as it was intended. Countries with a balance of payments surplus were reluctant to permit their currencies to appreciate. On the other hand, devaluation by countries experiencing balance of payments deficits were frequent and what was intended to be a system of symmetrical adjustment became lopsided. The U.S. was at the center of the system -- pinned down. Other countries could and did adjust exchange rates relative to the U.S., but we did not enjoy the same privilege.

It was during this period -- the 1960's -- that it was clearly demonstrated that the most important single price in the U.S. was the price of the dollar. The relationship of the dollar to other currencies plays a significant role in determining what is produced in the U.S. and what it produced elsewhere. Exports, imports, location of production facilities, and capital flows are all in varying degrees a function of the exchange rate.

Then, preceded by a series of exchange crises, hurried conferences, makeshift remedies and a pervasive "Let's keep a stiff upper lip attitude" the system collapsed in 1971. The effort to put it back together failed and the end occurred in 1973 when the dollar floated.

The new system takes a different approach. It does not rely on the system to force stability on member countries. Instead, it looks to the policies of member countries to bring stability to the system. In the exchange markets, the new system does not seek to forestall change by imposing rigid rates but recognizes that countries' competitive positions do and will change, and that it is far less destabilizing to permit rates to move in response to market forces than to hold out until the abandonment of costly large financing efforts brings abrupt jumps. It recognizes that the only valid path to international monetary stability is the pursuit of policies in the member countries that converge toward stability rather than diverge into instability. It acknowledges that we can never assure lasting stability in exchange rates between currencies if the underlying trends in various economies are sharply different in pace or direction.

This is much truer today than 30 years ago, because of the progress we have made in liberalizing the world economy and the growth of economic interdependence. The move to a liberal and integrated world economy has brought greater prosperity and major benefits to all nations. But allowing wider scope for international commerce also means greater potential for disruption from that commerce. With freedom for expanded trade and capital flows, market responses to changing conditions can be swift and massive. In today's integrated world economy, action to manage or fix exchange rates in contradiction to basic market forces is doomed to failure. In recent years, nations have learned this lesson time and again: and those who challenge it do so at their peril.

The new monetary system is a more flexible, pragmatic, market-oriented system than the old -- better suited to today's highly integrated world economy. The new system looks to prevention whereas the old system applied only cures, often too late and with ineffective doses. It concentrates on the real determinants of monetary stability in underlying economic and financial conditions. Because the new system established nations' obligations in terms of basic policy, rather than mechanics or procedure that obscure rather than sharpen the central issues, it is realistic in structure and right in approach. However, its success or failure will depend ultimately -- as will the success of failure of any system -- on the prudence and soundness of government policy in the respective nations.

Just as the United States vigorously supported monetary reform, we also support the continued growth of a free and open world trading and investment order. One of the most encouraging and significant postwar economic developments has been the dramatic expansion of trade among market economies -- from a level of $55 billion in 1950 to over $800 million in 1975. We believe that in strengthening these bonds of trade, we strengthen the bonds of peace, understanding and interdependence.

The case for free trade is based on the general concept of comparative advantage. Trade barriers typically reduce or eliminate the exchange of goods that would benefit all countries. Similarly, trade restrictions, which insulate domestic producers from foreign competition, reduce the pressures for controlling price increases and for stimulating creative productive development.

A few weeks ago I had the honor of addressing this year's joint meetings of distinguished representatives of the International Monetary Fund and of the World Bank in Manila.

One of the points I tried to stress there was that the most important contribution any nation can make toward global economic prosperity and stability is stable, non-inflationary economic policies. Because of its size, this is particularly true of the United States -- and, here, the economic picture is promising. Following the most severe economic recession of the postwar era, the U.S. is now 1-1/2 years into a healthy and balanced economic expansion. If erratic shifts and excesses in government actions are avoided, this expansion will continue well beyond 1976, although the rate of growth will naturally tend to moderate.

During this economic expansion, we have witnessed a continuation in the strength of export sales and a more rapid rise in imports. This has resulted in a swing in our balance of trade from a massive surplus in 1975 to a substantial deficit in 1976. We view this shift with equanimity because we recognize that it reflects the sharp increase in imports that has occurred as our economy has moved from recession to expansion. This adjustment is a proper reaction to changing economic conditions that the international monetary system can handle well if we do not seek to offset the effect of natural market forces.

And the fact is that our trading system has undergone -- and survived -- a massive ordeal by fire. In the wake of the most serious economic problems in 40 years, inflation, recession, and other disruptions, neither we nor our trade partners resorted to potentially disastrous, beggar-thy-neighbor policies.

This is an important accomplishment. We must build on it and expand it as we move from a period of eocnomic recovery to a period of economic expansion.

The major thrust of U.S. trade policy as embodies in the multilateral trade negotiations should be:

-- To negotiate for more open access to markets and supplies with emphasis on equity and reciprocity;

-- To increase flexibility in providing escape clause relief and adjustment assistance for American industries, workers and individual firms suffering injury from import competitions;

-- To diversify the types of actions the United States can take in responding to unfair international trade practices;

-- And to expand normal commercial relationships with the non-market economies.

Recently, there has been some international concern that the U.S. is drifting towards a policy of protectionism. Let me assure you that this is not the case. As cause for their concern, critics have cited the recent determinations of the International Trade Commission in favor of import relief for a few specific U.S. industries.

The justification for these limited measures is obvious. Industries in all countries have the right to be free from injurious international dumping of marginal or excess production. They also have the right not to be required to compete against government-subsidized imports. Our antidumping and countervailing duty laws are designed to implement those rights.

On a more practical level, I believe that equitable administration of laws pertaining to unfair trade practices actually assists the United States and other countries in reducing generalized barriers to trade. Unless we in the Administration can convince Congress and domestic interests that the U.S. intends to provide remedies against unfair trade practices, it will be impossible to develop the necessary support for generalized trade liberalization. In other words, we see no inconsistency between free trade and fair trade and the assurance of the latter is what enables us to progress in achieving the former. Believe me, it is hard to convince Congress that we should cut tariffs across the board if we just stand by while those same imports benefit from government subsidies. Moreover, we believe that artificial export subsidies are not in the best interests of the nation providing them because first, they distort market forces and interfere with the allocation of capital where it will be most productive, and second, they are an expensive use of scarce government resources. Finally, they have the effect of unilaterally negating another country's tariff rate and therefore, tempt that country to raise its tariff rate or to seek other protection through quotas or other non-tariff trade barriers.

Just as free trade requires open markets, it also requires an open attitude toward foreign investment. Foreign direct investment and short-term credit to finance trade have played an important part in the economic development of the Atlantic community during the postwar period and have a vital part to play today in the Atlantic community as well as in the world at large.

The U.S. Government should, and has, set an example by reaffirming its intention to avoid restrictions on foreign investment in America, consistent with national security. In general, foreign investors receive the same treatment as domestic investors. During the period of concern about the possibility that OPEC funds would flow into America to buy up basic industries, various bills were submitted in the Congress to restrict foreign investment. The Administration strongly opposed such actions, and no additional barriers were created.

We recognize that individual national economies can best achieve the goal of sustained non-inflationary growth in a free and open international trading system. We need an open world market to allocate raw material and capital resources efficiently in order to supply abundant goods and services to all of our people at non-inflationary prices. All the aid we can give will not help if it does not foster a prosperity shared by all. This shared prosperity we seek calls for solutions which must be dynamic and have widespread benefits. Thus, we must seek increased production and improved efficiency, not just transfer of wealth. Development assistance should be thought of, not as an international welfare program to redistribute the world's wealth, but as an important element of an international investment program to increase the rate of economic growth in developing nations and to provide higher living standards for the people of every nation.

We believe this is the responsible position not only for ourselves, but for all those who believe in a genuinely free, open world economic order.

That then is the overview. But before I close, I would like to address a few more words specifically to those of you who have vital interests in expanding trade with the developing world, and, in particular, with the nations of Latin America.

The American partnership with developing countries and development prospects of all countries depends even more importantly on our trade and investment links. The world-wide demands for capital in the period ahead will be massive and the competition fierce. Countries which wish to attract investment capital will find that establishing the proper domestic climate is essential. Countries which raise impediments to capital flows will simply not be able to meet the competition. The experience of many countries illustrates how this can properly be done. Countries and peoples as varied as the Taiwanese, the Brazilians and the South Koreans have dramatically raised their living standards and expanded their economic base. They have done so not only because of the amount of help they received, but because of the care and self-discipline they used in putting that help to work. Others can do the same, but only with the realization that developmental help involves a partnership and -- like all partnerships -- requires the best intentions and the best efforts of both partners in order to succeed.

What is needed then, to speed up the pace of economic development in both Latin America and around the world, is less rhetoric that focuses solely on what governments might do to increase foreign aid. The United States is committed to help the developing countries to help themselves. We will meet that commitment. However, the only permanent solution to their problems is to adopt domestic economic policies that will allow the creative and productive forces of the private sector to expand freely. We believe that policymakers in every country should be devoting far greater attention than at present to the implementation of long-delayed internal reforms, such as disciplined fiscal budgeting, maintenance of market-oriented interest and exchange rates, adoption of more suitable monetary policies, and greater emphasis on facilitating the private sector's contribution to development. The objective should be to implement policies that will attract investments rather than creation of a hostile environment dominated by excessive taxation, nationalization or cartelization.

Some countries have already followed this path to dramatic progress. Brazil has enjoyed an enviable record of dynamic development for a number of years. As a nation with a rapidly developing economy it offers one of the most outstanding examples of what an economy, when unfettered by excessive governmental interference, is able to accomplish in a short time. We believe that only a free and open economy can mobilize the creative energies of an entire nation and glavanize a people for the upward struggle toward the achievement of a better standard of human existence.

In working towards this goal Brazil has made the United States its largest and most dynamic export market and also has encouraged substantial United States' private investment. Brazilian exports to the U.S. increased at the rate of 30 percent annually over the 1970-74 period reaching $1.7 billion in the latter year. The U.S. share of total 1974 Brazilian exports was about 21 percent. And U.S. investors account for over 1/3 of total foreign investment in Brazil, by far the largest sum of any country. Total U.S. direct investment in Brazil quadrupled in the eight-year period from 1966-1974. In fact, Brazil is now the seventh largest recipient of U.S.

investment among all countries in the world. In terms of complementary technology, U.S. capital has provided Brazil with significant support for its most technologically sophisticated industries.

These figures, however, do not provide the complete story about the role of U.S. investment in Brazil's development. U.S. firms in Brazil provide significant employment opportunities and have substantial export capacity. These important factors underline the mutually-advantageous character of American private investment in Brazil. And they suggest how increased U.S. investment can be expected to strengthen Brazilian efforts to meet specific employment and balance of payments needs.

U.S. financial institutions have also shown their support and confidence in the soundness of Brazil's future development and have provided substantial financial resources. To me, this is not surprising. It is but one more example of how the pursuit of sound economic policies will attract U.S. investors eager to channel large-scale outside resources into the local development effort. They realize that a well-managed economy represents the best possible place for the investment of their capital. Brazil's experience is indicative of the fact that many developing nations in Latin America and throughout the world are increasingly recognizing the advantage to their development of more intensive participation in an interdependent world.

In summary, then, the same economic principles that have worked to create prosperity, stability and freedom at home can also help to shape a freer, more prosperous and liberal economic order. We desire a shared prosperity. That prosperity can only come through increased flows of investment. Through increased investment we achieve greater productivity and through greater productivity we achieve a higher standard of living for all.

As the nation that accounts for over one fourth of the world economy, we have a special obligation to help others to help themselves -- in the marketplace and through the strong support of international financial and development institutions, in concert, not in competition with, the private sector.

If we stand by these commitments, if we preserve and expand a strong economy at home and continue to lead the fight for a freer, more prosperous world economy, then what was once called the American dream -- the seemingly impossible dream of a free, decent existence for all -- can become not only the dream, but the reality of the entire human family.

Thank you.

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e Department of the TREASURY NEWS
HINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE October 22, 1976

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $2,500 million of 13-week Treasury bills and for $3,500 million of 26-week Treasury bills, both series to be issued on October 28, 1976, were opened at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing January 27, 1977			26-week bills maturing April 28, 1977		
	Price	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/
High	98.761	4.902%	5.03%	97.436	5.072%	5.28%
Low	98.752	4.937%	5.07%	97.419	5.105%	5.31%
Average	98.754	4.929%	5.06%	97.425	5.093%	5.30%

Tenders at the low price for the 13-week bills were allotted 90%.
Tenders at the low price for the 26-week bills were allotted 17%.

TOTAL TENDERS RECEIVED AND ACCEPTED
BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted	Received	Accepted
Boston	$ 19,865,000	$ 15,865,000	$ 53,210,000	$ 48,210,000
New York	3,461,405,000	2,212,500,000	4,435,945,000	3,096,425,000
Philadelphia	32,615,000	32,615,000	39,960,000	9,960,000
Cleveland	26,940,000	25,360,000	159,580,000	69,580,000
Richmond	14,770,000	14,770,000	25,170,000	18,170,000
Atlanta	18,405,000	15,905,000	25,530,000	25,030,000
Chicago	220,490,000	67,515,000	384,075,000	41,975,000
St. Louis	60,030,000	34,940,000	33,445,000	14,445,000
Minneapolis	31,215,000	9,495,000	24,775,000	5,775,000
Kansas City	29,565,000	21,865,000	11,740,000	8,740,000
Dallas	10,380,000	10,380,000	7,830,000	7,830,000
San Francisco	313,435,000	39,520,000	338,580,000	153,920,000
Treasury	30,000	30,000	25,000	25,000
TOTALS	$4,239,145,000	$2,500,760,000 a/	$5,539,865,000	$3,500,085,000 b/

a/Includes $ 266,465,000 noncompetitive tenders from the public.
b/Includes $ 102,480,000 noncompetitive tenders from the public.
1/Equivalent coupon-issue yield.

WS-1135

e Department of the TREASURY NEWS
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FOR RELEASE UPON DELIVERY

REMARKS OF RICHARD R. ALBRECHT
GENERAL COUNSEL OF THE TREASURY DEPARTMENT
AT SESSION #2 OF THE
"PRESIDENTIAL CAMPAIGN COLLOQUY"
ON THE TOPIC
U.S. INTERNATIONAL TRADE POLICY
IN THE NEXT FOUR YEARS
BEFORE THE FEDERAL BAR ASSOCIATION
NATIONAL LAWYERS CLUB -- WASHINGTON, D. C.
TUESDAY, OCTOBER 26, 1976 -- 12:30 P.M.

I very much appreciate this invitation of the Federal Bar Association -- with special thanks to Mr. Ince, as Chairman of the International Law Council -- to present the Administration's view of United States foreign trade policy over the next 4 years.

Last week, you heard the Vice Chairman of the U.S. International Trade Commission, Dan Minchew.

Today, I will try to tell it like it is, and as it will remain, not only for the next 4 years, but for the foreseeable future.

Why? Because this Administration and the Congress, in an unparalleled display of bipartisan statesmanship, have together forged the framework of what well may be the first truly representative national foreign trade policy ever devised for this nation.

That framework, quite simply, is the Trade Act of 1974. Painstakingly hammered out over 2 years of Congressional consideration and passed overwhelmingly with bipartisan support, it is -- as President Ford said when he signed it -- "The most significant legislation passed by the Congress since the beginning of the Trade Agreements Programs 4 decades ago . . .

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(which) will determine for many, many years American trade relations with the rest of the world."

I don't think it is necessary to emphasize the importance of international trade to the economic well-being of this, as well as most other countries in an increasingly interdependent world. Foreign purchases of goods produced in the United States today account for about 16 percent of everything we turn out of American factories and farms, the same percentage as for world production as a whole. We sell overseas about 26 percent of everything we grow, the same percentage as Western Europe exports of everything it produces. In the last 3 years, U.S. exports have roughly doubled -- to more than $100 billion annually, nearly 8 percent of our Gross National Product. At the same time, we have grown increasingly dependent on imports for our supplies of vital raw materials.

Thanks to sound economic policies at home, an improved international monetary system, and the ingenuity of American technology, our products are more competitive today in world markets than ever before.

Thanks to the freeing of our farmers from government regulation, we have reduced the taxpayer costs of agricultural support programs from over $4 billion a year to less than $400 million, and encouraged full production to help meet the needs not only of our own people, but of the world, including three-quarters of the world population that lives in developing countries.

The core of our international economic policy is dedicated to the principle of fairer and freer international trade. In pursuing this principle, we believe there will be

- greater support for liberalization of world trade and investment;
- greater discipline to avoid beggar-thy-neighbor policies;
- greater ability and desire to assist the developing world to grow and become economically self-sufficient;
- greater ability to respond promptly and effectively to structural changes in the world economy, such as the changed energy balance;

- greater responsible participation by other nations with us in ensuring that international economic arrangements evolve to meet changing conditions;

and with these will be a sound U.S. dollar and strong U.S. economy.

Following this principle, the United States has worked with other nations to develop viable and realistic solutions to the very serious problems we face. There has not been a great sounding of trumpets, but there has been quiet, meaningful progress. And it is by adherence to this principle which has served us so well that we should approach the major economic challenges that lie ahead.

Now let us consider the five basic components in the Trade Act:

- authority to negotiate further reductions and elimination of trade barriers;

- a mandate to work with other nations to improve the world trading system;

- procedures to ensure an unprecedented degree of participation of the Congress and private sector in formulating and approving foreign trade policy;

- reforms of U.S. laws to deal with injurious and unfair competition;

- improvement of our economic relations with nonmarket economies and developing countries.

To reduce trade barriers and to improve the world trading system, the U.S. is now fully engaged in the Multilateral Trade Negotiations in Geneva, involving some 92 developed and developing countries in a sweeping effort to liberalize and improve the rules of the world trading system. These trade negotiations were conceived about 5 years ago as a major and necessary companion effort to reform of the international monetary system.

As with those monetary negotiations, the trade talks are not focused on short-term solutions and spectacular initiatives; rather, they aim at creating a better long-run structure for efficient trade and more harmonious trade relations. A cornerstone of this effort will be increased cooperation among governments in creating a framework for national policies which reinforce rather than conflict with each other.

The international mandate for this work came from ministers meeting in Tokyo in September 1973. What we can make of this mandate in the next few years will be determined by the leadership the United States provides.

This leadership is needed not just to reduce tariffs and other barriers to trade. It will also be essential if we are to create more effective international disciplines for all members of the trading community who find themselves under pressure to fall back on restrictive or narrowly-conceived policies which would result in economic burdens for their trading partners. Since these pressures are especially acute in many countries this year, our vigorous and imaginative pursuit of these negotiations takes on a special importance. The most relevant issues of the day, including the problems of commodities and access to supplies as well as demands for temporary import restrictions, are on the table in Geneva.

What are some of the specific initiatives in which the Administration's trade negotiators are taking the lead to develop new rules of international trade? They have made specific proposals in Geneva to:

- eliminate or control export subsidies which distort international trade and disadvantage U.S. producers;

- improve import relief practices through agreed international "safeguards" mechanisms;

- reduce tariffs where they affect the trade of developed and developing countries the most;

- reform the trading system to remove inequities;

- harmonize government procurement and product standard and labeling practices which discriminate against American bidders in important markets;

- eliminate unreasonable quota and import licensing requirements;

- speed up the work so that meaningful agreements can be reached within the shortest time frame possible.

The success of our negotiators in this effort will depend in large part on their ability to perceive and pursue the interests of the American people. For this purpose, the Administration has implemented the procedures provided for in the Trade Act to ensure on an unprecedented scale greater participation by all segments of the American private sector -- industry, agriculture, labor, service industries, and consumers -- in the formulation and implementation of foreign trade policy.

To this end, we have implemented procedures whereby some 800 representatives of all these segments now serve on no less than 45 advisory panels, ranging from the President's overall Advisory Committee on Trade Negotiations through policy and sectoral or technical panels representing producers, retailers, consumers and workers. Public advice from all interested parties has been sought through open hearings across the country as well as in Washington and an "open door" policy is maintained for any and all who wish to present their views.

Congressional participation in the trade negotiating process has been upgraded through a regular process, both formal and informal. Designated Congressional advisers and staff meet periodically with U.S. trade negotiators in Washington, and attend negotiating sessions in Geneva. Administration consultation and communication with Congressional membership and staff is on a continuing, often daily, basis.

Also, in accordance with the Trade Act, the Administration has developed a thorough and representative method of interdepartmental and interagency trade policy coordination. A Cabinet-level Trade Policy Committee, chaired by the President's Special Representative for Trade Negotiations, reviews and synthesizes all Executive Branch recommendations before they go to the President for final decision.

Now, today, we have in place and working a novel and unique system for doing all of these important things --

-- Coordinating Administration foreign trade policy through a workable interagency process which assures that all views of departments with different constituencies are heard and considered before a final Presidential decision is taken.

-- Involving all segments of the private sector, the general public and its elected representatives in the policy-making process.

-- Negotiating fairer as well as freer trade bilaterally as well as multilaterally, so that the benefits of expanded commerce can be more equitably shared by all nations.

Now, I would like to turn to the question of fairer trade and the reform of U.S. laws to deal with injurious and unfair competition. Domestic trade grievance procedures have been substantially liberalized and improved so that all with legitimate complaints against injurious, illegal or unfair foreign trade practices may be assured of a fair hearing and a considered response from their government, based on the legal and economic merits of their case.

Recently, there has been some international concern that the U.S. is drifting towards a policy of protectionism. Let me assure you that this is not the case. As cause for their concern, critics have cited the increased activity under our antidumping and countervailing duty laws.

The justification for these limited measures is obvious. Industries in all countries have the right to be free from injurious international dumping practices. They also have the right not to be required to compete against government-subsidized imports. Our antidumping and countervailing duty laws are designed to assure that those rights are observed.

On a more practical level, I believe that evenhanded, fair and open administration of laws pertaining to unfair trade practices actually assists the United States and other countries in reducing generalized barriers to trade. Unless we in the Administration can convince Congress and domestic interests that the U.S. intends to provide remedies against specific unfair trade practices, it will be impossible to develop the necessary support for generalized trade liberalization. In other words, we see no inconsistency between freer trade and fairer trade and the assurance of the latter is what enables us to progress in achieving the former.

Another important component of the Trade Act deals with our relations with developing countries and nonmarket economies.

We have pursued policies in the United States and more specific proposals in the trade area which would benefit developing countries. We have adopted a generalized system of preferences that will greatly assist developing countries to expand their exports. The product list includes about 2,700 items, which on the basis of 1974 trade data accounted for $2.6 billion in trade from eligible countries, or approximately 2.6 percent of total U.S. imports. Of U.S. dutiable non-petroleum imports from eligible developing countries, this accounts for 19 percent. When total imports of all eligible products from all sources are considered, this represents a potential market of $25 billion.

In the MTN, we have proposed a tariff cutting formula which would decrease tariff escalation. We have also stated our belief that special treatment for developing countries in new codes on safeguards and on subsidies and countervailing duties will be appropriate and feasible. Along with other countries, we have also assigned special priority to liberalizing trade in tropical products.

The United States also supports the objectives of the developing countries to reduce excessive fluctuations in prices and supplies of raw materials, to improve access to markets, and to increase productive capacity. We are willing to sit down with producers and consumers of specific commodities to develop reasonable solutions. But we cannot support any trading system that requires a prior commitment to commodity agreements based on a system of government administered prices which would never work in today's world of rapid technological change and changing consumer and investor preferences. The market system is the most efficient means of balancing the supply and demand for commodities and for rewarding economic efficiency -- we need not be afraid to defend that system.

During the past year, the President has been determined to put forward constructive, realistic proposals, and we have done so at the United Nations Seventh Special Session last September and recently at the United Nations Committee on Trade and Development. We offered a comprehensive approach to commodities. Our proposals included measures to assist countries suffering from fluctuating export earnings, to provide better access to developed country markets for semi-processed and manufactured products using raw materials, and to encourage investment in the development of natural resources by private interests and international financial institutions.

With the nonmarket economy countries, we embarked on a policy in the 1970's which will move us away from confrontation. The decision to expand our trading relations with Eastern Europe, the Soviet Union and the People's Republic of China does not reflect weakness on our part. Rather, it is a further recognition that world prosperity comes through acceptance of a global economy.

We have made great progress in the expansion of our commerical relations with the nonmarket economy countries in the last 3 years. In 1971, our total exports to all of these countries combined amounted to less than $400 million. In 1975, exports were $3.1 billion, nearly an eightfold increase in 4 years. By contrast, 1971 U.S. imports were $230 million,while in 1975 our imports were $969 million. Thus, our total trade surplus with these countries grew approximately 12 times in 4 years -- to about $2.1 billion, and the potential for future U.S. exports of goods and services remains high.

This summarizes the initiatives in international trade policy which this Administration has taken within the comprehensive framework of the Trade Act of 1974. Our efforts are not, however, geared to the next 4 years. The steps we are taking, the agreements which we reach will shape the course of international trade through the rest of this century. We urge you to join us in meeting the challenges which lie ahead as we strive for a freer and fairer world trading system.

Department of the TREASURY NEWS
HINGTON, D.C. 20220 TELEPHONE 964-2041

Contact: Richard B. Self
Extension 8256

FOR IMMEDIATE RELEASE October 26, 1976

TREASURY ANNOUNCES PRELIMINARY COUNTERVAILING DUTY DETERMINATIONS AGAINST FASTENERS FROM JAPAN AND BICYCLES FROM THE REPUBLIC OF CHINA

Undersecretary of the Treasury Jerry Thomas announced today two preliminary determinations under the Countervailing Duty Law (19 U.S.C. 1303) that "bounties or grants" are being paid or bestowed on imports of nuts, bolts and screws from Japan and bicycles from the Republic of China. Notice to this effect will be published in the Federal Register of October 27, 1976.

Under the Countervailing Duty Law, the Treasury Secretary is required to assess an additional (countervailing) duty on merchandise found to be receiving the payment or bestowal of a "bounty or grant". It also requires the Secretary to issue a preliminary determination within six months after a petition alleging subsidies has been received. Interested parties will be given a period of 30 days after the publication of the notice to provide written views regarding this action. The Treasury must issue a final determination in the bicycle case by no later than April 19, 1977, and for the fastener case no later than April 21, 1977.

During 1975 imports of nuts, bolts and screws from Japan were approximately $133 million. During the same period bicycle imports from the Republic of China were $10.7 million.

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WS-1137

e Department of the TREASURY NEWS
HINGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE AT 4:00 P.M. October 26, 1976

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $6,300 million, or thereabouts, to be issued November 4, 1976, as follows:

91-day bills (to maturity date) in the amount of $2,600 million, or thereabouts, representing an additional amount of bills dated August 5, 1976, and to mature February 3, 1977 (CUSIP No. 912793 E4 4), originally issued in the amount of $3,699 million, the additional and original bills to be freely interchangeable.

182-day bills, for $3,700 million, or thereabouts, to be dated November 4, 1976, and to mature May 5, 1977 (CUSIP No. 912793 F9 2).

The bills will be issued for cash and in exchange for Treasury bills maturing November 4, 1976, outstanding in the amount of $6,302 million, of which Government accounts and Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold $3,003 million. These accounts may exchange bills they hold for the bills now being offered at the average prices of accepted tenders.

The bills will be issued on a discount basis under competitive and non-competitive bidding, and at maturity their face amount will be payable without interest. They will be issued in bearer form in denominations of $10,000, $15,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value), and in book-entry form to designated bidders.

Tenders will be received at Federal Reserve Banks and Branches and from individuals at the Bureau of the Public Debt, Washington, D. C. 20226, up to one-thirty p.m., Eastern Standard time, Monday, November 1, 1976. Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. 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.

Banking institutions and dealers who make primary markets in Government

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(OVER)

securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others 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 bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. 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 $500,000 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 or Branch or at the Bureau of the Public Debt on November 4, 1976, in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 4, 1976. 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.

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 considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of bills (other than life insurance companies) issued hereunder must include in his Federal income tax return, as ordinary gain or loss, the difference between the price paid for the 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.

Department of the Treasury 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, or from the Bureau of the Public Debt.

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e Department of the TREASURY NEWS
HINGTON, D.C. 20220 TELEPHONE 964-2041

ADDRESS BY THE HONORABLE WILLIAM E. SIMON
SECRETARY OF THE TREASURY
BEFORE THE
14TH ANNUAL ECONOMIC OUTLOOK CONFERENCE
OF THE
ORANGE COUNTY CHAMBER OF COMMERCE
ANAHEIM, CALIFORNIA
OCTOBER 28, 1976

Thank you, Chuck; Chairman Diedrich, Chairman Hart, Miss Bennett, distinguished guests, friends:

It is a great personal honor to be introduced by such an outstanding member of Congress as Chuck Wiggins, who has waged the good fight for responsible government so effectively in the House of Representatives for the past 10 years, and who stands in that chamber as an example of integrity, dedication and patriotism.

I am delighted to be in Orange County. We easterners often hear about California's dynamism and energy but you have to come here and observe organizations like the Orange County Chamber of Commerce to fully appreciate the comment. This area is booming, and many of you are active in the aggressive campaign to bring new businessees here to build on your economic progress thus far and provide more jobs, higher living standards and even greater opportunity for the people of this great county in particular and for Southern California in general.

It is also a privilege to address this Economic Outlook Conference, one of the largest business gatherings in the country, whose obvious success owes much to the labors of Dick Hart and Sarah Bennett. I am impressed not only by your numbers -- over a thousand -- and by the scope of your deliberations -- energy, transportation, industrial growth, international trade and investment, to name only a few subjects covered this morning -- but I am also impressed by your strong accent on long-range solutions rather than just short-range problems.

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Congressman Wiggins and others here can vouch for the fact that if you were holding these sessions in Washington, you'd be committing one of the cardinal sins of that city, where the definition of long term is never beyond the next election. And yet the need for long-term vision in this country has never been greater, and we will all benefit from efforts by business and professional leaders like yourselves to take the long view, to realize that "Tomorrow is Here", in the words of your conference theme.

What I would like to do today is follow your lead, take a look at where the U.S. economy stands today and, more importantly, where it is headed, and then discuss briefly a responsibility that we in this convention center share to meet two great long-range challenges facing our free enterprise system.

To begin with, the short-term news about the American economy is good. We are now in the midst of a healthy and balanced expansion:

-- Inflation has been cut more than in half since the beginning of 1975;

-- Employment is at an all-time high of 88 million Americans;

-- Industrial output, retail sales, the GNP, personal income, have all registered important gains.

And yet the decline in unemployment, though below its recession high point, is irregular and far slower than we will tolerate. And inflation is by no means under firm control and remains the most dangerous enemy of that durable prosperity which we and all nations are seeking to achieve.

Since the mid-1960s, spending by the Federal Government has triggered general economic instability and chronic Federal budget deficits. The repeated overheating of the economy created double-digit inflation pressures rarely experienced in the United States. As these distortions have occurred, it has been impossible to sustain stable monetary policies which have tended to vacillate between restraint to fight inflation and ease to finance the artificially inflated pace of economic activity.

From these experiences there is one basic conclusion: Our basic desire for economic progress, through improved living standards and employment opportunities, will be frustrated unless we better control the insidious inflation which has destroyed economic stability and which today threatens not only our goal of sustained growth but the ultimate survival of all of our basic institutions. When inflation distorts the economic system and destroys the incentives for real improvement, the people will no longer support that system and society disintegrates. I am convinced that our uniquely creative and productive society will also collapse if we permit inflation to dominate economic affairs.

The intensity of my feelings about inflation has resulted in some critics labeling me as obsessed. However, I am not so much obsessed as I am downright antagonistic toward those who consistently vote for bigger government deficits. We must always remember that it is inflation that causes the recessions that so cruelly waste our human and material resources and the tragic unemployment that leaves serious economic and psychological scars long after economic recovery occurs. It is inflation which destroys the purchasing power of our people as they strive -- too often in a losing struggle -- to provide the necessities of food, housing, clothing, transportation and medical attention and the desired necessities of education, recreation and cultural opportunities.

Inflation is not now, nor has it ever been, the grease that enables the economic machine to progress. Instead, it is the monkey wrench which disrupts the efficient functioning of the system. Inflation should be identified for what it is: The most vicious hoax ever perpetrated for the expedient purposes of a few at the cost of many. There should be no uncertainty about its devastating impact, particularly for low-income families, the elderly, who are dependent upon accumulated financial resources and the majority of working people who do not have the political or economic leverage to beat the system by keeping their incomes rising even more rapidly than inflation. When inflation takes over an economy the people suffer and it is time that this basic point is emphasized by every responsible citizen and the full brunt is brought to bear on their elected officials. Let me assure you that regardless of the rhetoric emanating from Washington, D.C., the spend-spend, elect-elect, syndrome is alive and well.

Almost buried in that rhetoric are the economic issues that will ultimately shape the future course of the United States. The American people must now decide what kind of economy they want for the foreseeable future. They must realize that their government's fiscal and monetary policies and the maze of government programs that increasingly intervene in their daily lives are the real issues that will determine their personal welfare:

-- whether or not inflation will be effectively controlled or once again allowed to return to double-digit levels;

-- whether or not capital investment will be adequate to create meaningful jobs for the growing labor force;

-- whether or not government regulation and administrative controls will be changed to meet current economic realities and restore productivity and efficiency;

-- whether or not the United States will provide effective leadership on international monetary, trade and investment issues.

These are the real issues and each candidate's statements must be judged against the following standard: Do his or her policies contribute to sustained and orderly economic growth? Or do they merely perpetuate the familiar stop-and-go patterns of the past involving increased government spending without regard for the chronic deficits and economic disruption created, excessive expansion of the money supply, even more government controls over the private economy and increased intervention in private wage and price decisions.

The proper role of government is to create an environment for sustained and orderly economic growth through its fiscal, monetary, and regulatory policies. The disappointing performance of the U.S. economy during much of the last decade emphasizes the basic need for more stable policies that will implement that role. As I have noted, in the mid-1960s the United States began an unfortunate series of exaggerated booms and recessions: serious overheating of the economy created severe price pressures; accelerating inflation caused recessions by restricting housing construction, personal spending and business investment; these recessions created unwanted unemployment which wasted resources and caused personal suffering; rising unemployment too often triggered poorly planned and ill-timed government fiscal and monetary policies, setting off another round of excessive stimulus and again leading to overheating -- inflation -- recession -- unemployment -- and more government intervention.

Two years ago, the pace of economic activity was deteriorating, inflation was already at double-digit levels and rising, unemployment was beginning to increase and great uncertainty prevailed about international trade and monetary problems. Although others are now anxious to take credit for the responsible policies he developed, the fact is that under President Ford's leadership the U.S. economy has experienced a healthy and balanced economic expansion over the past 18 months. This favorable turnaround resulted from following four basic policy guidelines to break the vicious circle and return the U.S. economy to full output:

-- First, the Administration recognized the diversity of problems and avoiding concentrating on a single issue. Inflation, unemployment, declining output, the availability of productive resources, international trade and investment -- all had to be considered simultaneously to create a balanced program for recovery. Controlling inflation was the necessary beginning point to restore consumer purchasing power to provide needed demand to turn the economy around, but the entire mix of goals was recognized.

-- Second, the Administration wanted its policies to solve more problems than they would create. During a period of difficulty, it may be expedient to respond to strident calls "to do something -- anything" to demonstrate political leadership. But this naively activist approach is the basic source of problems, not the solution. The conventional wisdom that a few billion dollars of additional government spending somehow makes the difference between success or failure of the entire U.S. economy -- which is rapidly approaching an annual level of output of two trillion dollars -- has always amazed me. There is definitely an important role for governments in protecting public interests but the claim that governments can or should control the economy is totally false. We would all be better off if government officials would admit that the real creativity and productivity of America depend upon the private sector.

-- Third, the recovery process needed to attack the basic cause of the recession: inflation. From 1890 to 1970 prices in the United States increased at an annual rate of 1.8 percent. From December 1973 to December 1974 they jumped 12.2 percent. It seems so obvious that any long-term solution to our economic problems required better control of inflation which had distorted the spending and savings decisions of all Americans. Nevertheless, the Administration was accused of having a single-minded obsession with inflation. To the contrary, it simply recognized inflation for what it is: the greatest threat to the sustained progress of our economy and the ultimate survival of all of our basic institutions.

-- Fourth, the Administration emphasized the need to alleviate the transitional problems of moving from recession to recovery. The automatic stabilizers built into many government programs were improved to respond to rising unemployment and sustain the flow of personal incomes.

The positive results of following these policies can now be evaluated after 18 months of healthy and balanced economic expansion. The real output of goods and services has expanded at an annual pace well above the long-term capability of the U.S. economy without experiencing the widespread capacity constraints or severe raw materials problems that were predicted by many analysts. Personal consumption has provided the basic thrust for growth throughout most of the current expansion. Residential construction has not returned to its pre-recession levels, although the current annual pace of approximately 1-1/2 million starts is well above the recession low. Business spending --usually sluggish during the early stages of recovery -- is now beginning to accelerate and business inventory buying is about at the level expected. Government spending at all levels continues to grow, but at a more controlled rate, and the pace of export sales has continued although imports are rising more rapidly because of the relatively advanced status of our economic expansion.

Looking to the future, we expect the expansion in the United States will continue in 1977, but at a reduced pace more consistent with the long-term potential of our economy. This is a proper pattern because continuation of the rate of output gains in the 6 to 7 percent zone over an extended period of time would inevitably overheat the economy, once again leading to a new round of inflation, followed soon afterwards by recession and unemployment. Output gains in 1977 should be in the 5 to 6 percent zone as the economy gradually returns to its long-term potential annual rate of output.

Personal consumption will continue to be the basic strength of the U.S. economy, since it comprises two-thirds of the total GNP, but the rate of increase in this sector will probably slow down and business investment and continued modest gains in housing construction will provide most of next year's thrust for additional growth.

We expect inflation to remain in the 5 to 6 percent zone. This is not a satisfactory level of price increase and our Nation must not and will not accept it. Employment growth should continue, although not as rapidly as during the last 18 months, and the unemployment rate should continue to decline, particularly as the extraordinary growth in the labor force slows down.

In summary, there are several worrisome problems to contend with and the future course of each sector of the economy will not be steadily upward each month, but the likely overall course for the U.S. economy is favorable --if fiscal and monetary policies remain responsible. The key to achieving this relatively optimistic goal will be how well inflation is controlled. There never was and is not now a choice between inflation and unemployment. That concept is a fallacy. The real choice is between making steady progress on both inflation and unemployment or of returning to the stop-and-go economic policies that have failed to provide needed stability in the past.

In our own economic interest, and in the interest of global economic stability, our first responsibility must be to stand by economic policies that will ensure healthy, balanced growth and prevent a resurgence of inflation. With responsible leadership, we can, and will do this.

That, in a nutshell, is where we stand today. But all the progress we have made will be rendered worthless if we do not address ourselves to the two long-term challenges to capitalism that I mentioned earlier. For want of better names, I would characterize these two challenges as educational and ethical. Both of them represent the soft, vulnerable underbelly of free enterprise.

In our era, when the main political struggle is between controlled societies and free ones, nothing is more vital to the survival of our economic way of life than a clear public understanding of free enterprise. And that requires business leaders with the courage, energy and understanding to articulate it.

The challenge to American business today, when so much of the world is lurching towards socialism or totalitarianism, is not only to make our system work, but to make it understood. And too many businessmen are shirking this responsibility, preferring the temporary security and seclusion of the board room to the rough and tumble of public debate.

The result is that private enterprise is losing by default -- in many of our schools, in much of the communications media and in a growing portion of the public consciousness.

By abandoning the field of public discussion to the opposition, by financing some of the very institutions that seek our downfall, and by following the inarticulate, cautious -- I almost said cowardly -- route; we are digging our own graves.

The need today is not for gray men with an eye to nothing but the corporate balance sheet. What we need, and need desperately, is statesmanship in the business community -- leadership with guts, with conviction and with a firm ethical, intellectual and moral base.

No one is more aware of this than the opponents of free enterprise. Advocates of a state-controlled economy, whether they are communists, fascists or democratic socialists, base their own position on an ethical view, though a mistaken one. Their economic philosophy is deliberately linked to a general philosophy of life for, to the "true believer," Socialism and Marxism are not merely economic formulas, but all-embracing world views -- a kind of temporal religion.

Their systems do not work as well as free enterprise but, like all religious devotees, they are willing to suffer and sacrifice for their beliefs. Instead of automatically weakening their faith, adversity may even fortify it as long as they <u>believe</u> and as long as they feel that their belief is anchored to something of moral worth.

Those of us on the side of economic freedom are not so fortunate. The American free enterprise system has consistently outperformed Marxism and modified brands of socialism from the begining, and continues to do so today. Any objective evaluation of economic performance clearly illustrates the United States superior record in both economic putput and the equitable distribution of economic benefits.

Nevertheless, American free enterprise today is in serious danger of failing as a belief. The ethical and philosophic underpinnings of capitalism have not been thought our, articulated and then disseminated to the millions of average citizens who enjoy the direct material benefits and the indirect spiritual and political benefits our system provides. Nor is this lack of understanding merely confined to the economic layman. It also afflicts many of the men and women who lead industry and business. Small wonder, then, that the man on the street has his doubts about the system.

The problem is a complex one and is not confined to business alone. Vietnam, Watergate, student unrest, shifting moral codes, the worst recession in a generation, and a number of other jarring cultural shocks have all combined to create a new climate of question and doubt. The same opinion samplings that show a decline of public confidence in business beginning in the turbulent 1960s, also show declines in confidence for the professions, the clergy, organized labor, government, and politics. It all adds up to a general malaise, a society-wide crisis of institutional confidence.

There are, however, some specific symptoms and cures which apply particularly to the business community. The two we are discussing are, in my opinion, the most important -- the need for educating the general public to the social as well as economic benefits of the free etnerprise system and the need to educate the business community itself to the relationship between good business and good citizenship: reinforcing the ethical base of capitalism.

On the first score, it is ironic that at a time when Americans are enjoying such great abundance and such great opportunity, so many of us have lost sight of the principles and institutions that have made our way of life possible. But the truth is as inescapable as it is unpleasant; somewhere along the line there has been a dangerous breakdown in communications. Today, when nearly everyone takes the fruits of the free enterprise system for granted -- the abundance, the opportunity for learning, travel, individual freedom, and general upward mobility -- not everyone understands the basic economic facts of life that create all these benefits.

Part, but not all, of the problem is a matter of image. Frequently, and especially to youthful idealists, those who support a state-dominated economic system are perceived as concerned, socially progressive men and women who "care" -- they are seen as the humane champions of the underdog. And, often enough, they really are the only ones who have effectively <u>communicated</u> their concern for social issues. It is the private sector which ultimately supplies new jobs and creates the material means for raising living standards, but the private sector seldom receives (and h-rdly ever clearly demonstrates its just claim to) credit from the man in the street.

Those who advocate strengthening the free enterprise system and who warn against injecting the government into every new economic and social problem that comes down the pike, are often depicted as either outdated theorists or selfish opportunists concerned only with personal gain and preserving the status quo. They find no sympathy in many university economic departments and little understanding in much of the media. To make matters worse, their own surface appearances often tend to confirm this impression, wrong though it is.

So our first challenge is education -- education of the public at large and greater self-understanding within the business community itself. One of the best ways to teach the pros and cons of any system is to compare it with the available alternatives. Most Americans never have been and, let us hope, never will be forced to experiance first-hand what it means to live in a country where economic freedom has been destroyed or severely limited. Yet, if our system is to survive, our people must have a valid standard for comparison on both material and moral grounds. This can be achieved through education but, so far, it has not been.

Most Americans have never witnessed the seemingly endless queues of workers and housewives that line up for hours outside state-owned food and department stores in order to buy a poor selection of overpriced food staples and state-manufactured clothing and merchandise in countries where free enterprise has died.

They do not realize what a miracle of variety, economy and productive competition the average American shopping center would represent to most of the earth's people.

They have never asked themselves why a country like the Soviet Union, with some of the largest, richest tracts of grainland in the world, but with a government-owned and run agricultural system, cannot even feed its own people without turning to American farmers who own their own land, make their own economic decisions and feed not only their own people, but millions of others as well.

They have not had to suffer the loss of opportunity the social unrest and economic instability of western democracies where the post-war years of cardle-to-grave welfare and government stifling of private sector initiative have led to economic stagnation and the demoralization and mass emigration of the productive middle income class.

Too often they have been taught to distrust the very word profit and the profit motive that makes our prosperity possible, to somehow feel this system, that has done more to alleviate human suffering and privation than any other, is somehow cynical, selfish, and amoral.

And, of course, they have never lived in the countries where the seemingly unselfish and idealistic dream of a nonprofit, propertyless society has turned into a nightmare reality -- where the state and the state alone dictates what kind of education you will receive; whether or not you will be allowed to travel; what books you can read; what kind of job you have; what you will be paid, what merchandise you cay buy; where you will live; what medical treatment you will receive; what you children will be taught; and, ultimately, where you will be buried.

Only when economic freedom has already been destroyed is its vital relationship to personal freedom and opportunity vividly demonstrated. And when the process of erosion is gradual it is like the poisoning of Socrates by hemlock: numbing begins in the extremities and moves inexorably until it extinguishes the spark of life. As Alexander Hamilton warned so long ago, "Power over a man's substance amounts to power over his will." Unfortunately, however, economic freedom, like clean air, is something that most people do not really appreciate until it begins to run out -- and then it is often too late.

Today we have reached a point where, although the free enterprise system works, and works better than any other economic system in effect anywhere in the world -- feeding, clothing, and housing more people more humanely than any other while allowing them the enjoyment of our other basic freedoms -- it is losing the semantic war to an alien philosophy of government control that has never worked but somehow has managed to preserve an aura of idealism, altruism and ethical soundness -- at least when viewed without detailed knowledge and from a comfortable distance.

So the first part of the challenge for American capitalism is clear. We must get across the human side of capitalism, the fact that free enterprise has been and continues to be a force for human good and, in its correct application, an extension of much that is finest in our Judeo-Christian spiritual and ethical tradition.

But better economic education by itself is not enough. There are also serious internal questions that must be addressed, and of these none is more important than business ethics.

It's quite true that only a very small percentage of American businessmen engage in corrupt or unethical practices. But the vast majority of honest businessmen must recognize that this tiny minority of spoilers is giving a black eye to our whole free economic system -- and providing the enemies of our system with lethal ammunition.

It seems clear to me that corruption -- whether it involves questionable angling for overseas contracts, illegal contributions to office holders, or any other form of graft or payola -- hampers the effective functioning of the market place. It leads to higher prices, lessened responsiveness to the consumer and lower quality of goods and services.

It is the exact opposite of the capitalist ideal -- for both the producer and the consumer.

So, when I begin to preach the gospel of business ethics, believe me, I am preaching it for the sake of business as well as ethics! To me, the two are inseparable.

Of course, most businesses do have a high standard of ethics. But they simply are not visible, in a dramatic way, to the general public. Corruption, on the other hand, sticks out like a sore thumb and is capitalized on by every elitist social planner and intellectual utopian as an excuse for creating more state controls and stifling more individual freedom. And never forget, as we witness the steady villification of business and management in too much of the mass media, that today's popular misconceptions all too often shape tomorrow's statutes.

This great but sometimes confused nation of ours was born in turmoil. Conflict and doubt are nothing new to us. They didn't stop us 200 years ago and they shouldn't stop us now. It is no accident or blind fate that has made America so rich and abundant a land. You can't legislate inventiveness or prosperity; we have no more born geniuses or natural inventors and industrialists that any other country. But we do have a free system in a world where many other countries are not free. And, through it, we encourage the talent that lies within individuals in a way that most other societies have failed to do.

The result has been not just profits for the few, but a better and freer life for the many. isn't that the acid test -- the bottom line -- of so much of the idealogical argument and speculation going on today? Compare the systems -- ours works. And, in large measure, it works because of people like you in this convention hall -- people who believe in the value of a service or product but, even more importantly, believe in the value of a way of life that is uniquely American.

My time at the Treasury will soon be over. Some months ago I decided that, regardless of the outcome of the election, I will return to private life in January. But leaving the Treasury does not mean abandoning public affairs. I have a deep-seated concern about the direction our country is headed in and I continue to stand up for the principles of political and economic freedom in the public arena as a concerned citizen. I urge each of you to do the same.

Don't get me wrong. I don't regret a moment of the time I have spend in Government. It's been a very rich and rewarding experience. While I have a few scars to show for some of the stands I have taken, I'm grateful for the chance I had to take those stands and serve my country.

But the more I have seen of government, the more I recognize the limits of what it can do <u>for</u> people -- as opposed to what it can do <u>to</u> them.

Government can change the law, but it cannot change human nature. Government can impede or ease the way for individual initiative. But only the individual himself can create, can change, can brave new horizons.

More than anywhere else, that is what happens here in America. Our greatest progress has come through individuals -- not through voter blocs or special interest groups. It happens through organizations like this, in company offices like yours, in schools and labs and libraries and civic groups across this great land of ours where, every day, individuals with a better idea are solving problems and creating new opportunities.

What we call the American experience -- the American story -- is the sum total of those individual contributions. And each of us is a small but important part of it. That, more than any great document or charismatic leader, is what sums up the true meaning and purpose of America. And that is what we must preserve.

Thank you.

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Department of the TREASURY
OFFICE OF REVENUE SHARING
WASHINGTON, D.C. 20226
NEWS
TELEPHONE 634-5248
THE DEPARTMENT OF THE TREASURY 1789

FOR IMMEDIATE RELEASE
TUESDAY, OCTOBER 26, 1976
CONTACT: PRISCILLA CRANE (202) 634-5248

NEW REVENUE SHARING REGULATIONS ISSUED TODAY

Secretary of the Treasury, William E. Simon, today announced publication for public comment of proposed regulations to clarify the public participation, public hearing and publication requirements of The State and Local Fiscal Assistance Amendments of 1976. These amendments extend the General Revenue Sharing Program for three and three-quarters years, to October 1, 1980.

The proposed regulations, which will be published in tomorrow's Federal Register, are intended to become effective January 1, 1977.

The proposed regulations were written to facilitate compliance with the new provisions of revenue sharing law without imposing unnecessary burdens on local government. "The General Revenue Sharing Program always was intended to diminish the Federal presence, not increase it," Secretary Simon said today. "It is the intent of this Department, in keeping with our Congressional mandate, to keep administrative costs and paperwork to a minimum. The new regulations have been designed in keeping with that philosophy," he added.

WS-1140

In the regulations issued today, the Secretary is exercising discretionary authority provided to him by the Congress to waive any requirements which might tend to put an undue administrative or cost burden on States and units of local general government.

For example, the proposed regulations provide that places which receive a revenue sharing entitlement less than $10,000 in a fiscal year are exempted from holding a proposed use hearing. Governments which receive between $10,000 and $50,000 of entitlement funds during the applicable fiscal year are also exempted if the chief executive officer of such jurisdications assures Treasury that reasonable opportunity has been provided for citizen participation in determining proposed uses of the money. The requirements also are waived when the cost of compliance is in excess of 2 percent of the revenue sharing funds of the recipient government for its fiscal year.

The 1976 Amendments to the revenue sharing law require a public hearing before the body of each recipient government which has responsibility for enacting the budget. The regulations provide for published notice of the time and place of such hearings at least 10 days in advance of the date they are held. If these hearing and notice requirements conflict with State or local law, the regulations require compliance with local laws. The budget hearing and public notice requirements may also be waived by the Secretary under certain circumstances.

Before the proposed regulations are adopted in final form, consideration will be given to any written comments or suggestions which are received on or before November 30, 1976. Written comments must be submitted in triplicate to the Director, Office of Revenue Sharing (Symbols CC), Department of the Treasury, Washington, D. C. 20226.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

ADDRESS BY THE HONORABLE WILLIAM E. SIMON
SECRETARY OF THE TREASURY
BEFORE THE
FUND FOR HIGHER EDUCATION
NEW YORK CITY, OCTOBER 25,1976

Thank you Gus Levy, Amnon Barness, Lee Abraham, Ralph Leach, Representatives of the Fund for Higher Education, Distinguished Guests, ladies and gentlemen:

I am deeply honored to be here this evening and to accept this award which I will cherish. In a gathering that includes so many old and valued friends, a long-winded formal speech would be inappropriate. So, with your permission, I would like to set aside my planned formal address and, instead, share with you a few personal reflections on my 4 years in Washington.

To begin with, I want to thank you for this Flame of Truth Award. Truth -- the plain economic facts of life that are so often lost in the confusing political shuffle of Washington -- is what I have been trying to get across to the American people for the past 4 years.

Secondly, I would like to say a few words about the Fund for Higher Education itself, and the principles it stands for. In my extensive travels to Israel I have come to know and love this courageous country and to respect it as the economic prodigy of the post-war era. Oceans and continents may separate us, but the same pioneer spirit that tamed a savage America and produced abundance from the wilderness has made the desert flower in Israel.

Surely the work of the Fund in Israel and America -- the nurturing of learning that would otherwise perish -- is an achievement every bit as profound and important as making the desert flower. I am most gratified that the recipients of the funds from my award tonight will be Tel Aviv University, where I received an honorary degree last year, and my own alma mater, Lafayette College. Both of these institutions -- one in Israel and one in America -- will be able to keep the torch of truth bright for more young minds because of your generosity.

The system that made your generosity possible -- the free enterprise system -- is a very basic part of western civilization. It is the economic component of freedom and, as history has proven again and again, political freedom cannot long survive once economic freedom has been destroyed. As one of the founders of the American Republic -- a man, incidentally, whom some historians identify as being of mixed Jewish descent -- once put it, "Power over a man's substance is power over his will." Those are the words of Alexander Hamilton and, everywhere we look in the world today, we see this truth reaffirmed anew by totalitarian societies that first abolish economic freedom and then, one by one, abolish other human rights.

We in America have been given many blessings. No country is richer or more abundant. No people have more opportunities to better themselves and seek new horizons. Nowhere else is there so much diversity of choice, of careers, of opportunity.

But the bottom line of all these opportunities is freedom. And As another great American, Daniel Webster, solemnly reminded his countrymen, "God grants liberty to those who love it and are always ready to guard and defend it."

Not it is fairly easy to defend our liberty and when it is faced with external threats. When foreign enemies threaten, the danger is clearly defined and Americans have always united in opposing it. But today we face a danger that is every bit as great as any foreign enemy, but which is far less obvious and more insidious -- an internal danger that is slowly but surely eroding our individual political and economic liberty -- the substance and the will which Alexander Hamilton referred to.

Faced with the ever-encroaching influence of government over our lives, many citizens do not take the threat seriously. They fail to realize that the time is at hand to face up to Mr. Webster's challenge now -- before it is too late. Meeting this challenge head-on is vital to our future as a free people, to our economic growth and stability, and to our role in the community of nations.

The challenge must be met because we are at a crossroads in our evolution as a free society where we face an all important choice -- a choice between the freedom for each of us to live our lives as we best see fit, or the surrendering of more of that freedom to an increasingly powerful government in exchange for a false promise of security and permanent prosperity.

Freedom -- the very word should inspire us to action at a time when socialism and totalitariasm are on the march around the world. Yet here at home, too many of us simply take it for granted. Others are not so naive. In my travels as Secretary of the Treasury I have been to every part of the globe. And everywhere I have found that America still stands as the beacon of freedom -- the bastion of liberty and hope even in those countries where freedom no longer exists. What a pity it is that so many of our own people do not understand what people thousands of miles away so clearly see. What a tragedy that we who enjoy the benefits of freedom may let it slip through our fingers from simple complacency. It has often happened before, and it may happen in America.

What the historian Gibbon said of Athens may yet be said of America. "In the end," he wrote in his epitaph for the ancient republic, "more than they wanted freedom, they wanted security. They wanted a comfortable life and they lost it all -- security, comfort and freedom. When the Athenians finally wanted not to give to society but for society to give to them, when the freedom they wished for most was freedom from responsibility, then Athens ceased to be free."

Frankly, it astonishes me that whenever the advocates of more government control and less economic freedom are confronted with the irrefutable evidence that we already have too much government, they just keep on demanding more -- and two of the casualties of their misguided logic are jobs and durable prosperity.

Free lives, individual lives, productive lives are built on capital investment, not on the red ink, the bureaucratic controls and the printing press of big government. And savings are the source of capital investment.

But savings are currently being drained by excessive government deficits. Resources absorbed by government for its spending today cannot simultaneously be invested in expanded plant and machinery to employ more people tomorrow. We cannot have both bigger government and a healthy expanding private sector. Government never creates wealth -- people do.

We cannot continue to transfer each year an increasing percentage of our national wealth from the most productive to the least productive sector of our economy without endangering the economic future of our children.

The private sector produces the food we eat, the goods we use, the clothes we wear, the homes we live in.

It is the source of five out of every six jobs in America, and it provides directly and indirectly, almost all the resources for the rest of the jobs in our all-too-rapidly expanding public sector.

It is the foundation for defense security for ourselves and most of the Free World.

It is the productive base that pays for government spending to aid the elderly, the jobless, the poor, the dependent and the disabled. Indeed, far from being the inhuman monster caricature painted by political demagogues, the American private sector is in reality the mightiest engine for social progress and individual improvement ever created.

This, ladies and gentlemen, is the crucial theme that must be communicated broadly and deeply into the national consciousness: The American production and distribution system is the very foundation of our nation's strength and freedom -- the source of present abundance and the foundation of our hopes for a better future.

As many of you may know, some time ago I announced that, regardless of the outcome of the election, I intend to resign as Secretary of Treasury in January. Nineteen-Seventy six, our bicentennial year as a nation, will be my last full year in office. But 1976 also marks another bicentennial -- the 200th anniversary of Adam Smith's Inquiry into the Nature and Causes of the Wealth of Nations.

Many people mistakenly believe that Adam Smith was nothing more than an inhumane apologist for robber Baron Capitalism. Actually, he was precisely the opposite, a profound moral philosopher and a champion of individual human dignity and freedom.

Smith advocated a commercial system of what he termed "natural liberty", free of arbitrary preferences or restraints. "Every man," Smith wrote, "as long as he does not violate the laws of justice should be left perfectly free to pursue his own interest in his own way and to bring both his industry and capital into competition with those of any other man, or order of men." Above all, Smith realized that there is no political short-cut to affluence. It can only come from the creative efforts of individual human beings.

To me, this wisdom represents the essence of one of the most important educational lessons of our nation's history --

but too many of our young people are simply not being taught it.

Competition of ideas, like competition of products, is a healthy thing. I welcome it. But, as contributors to educational institutions we have an obligation to see that no one economic philosophy enjoys an academic monopoly -- and on too many of our campuses, socialist doctrine has become the new economic orthodoxy. It's time for a change, and we can help bring economic fairness and balance back to higher education by making our voices heard.

It is no accident or blind fate that has made America so rich and abundant a land. You can't legislate inventiveness or prosperity; we have no more born geniuses or natural inventors and industrialists than any other country. But we do have a free system in a world where many other countries are not free. And, through it, we encourage the talent that lies within individuals in a way that most other societies have failed to do.

The result has been not just profits for the few, but a better and freer life for the many. Isn't that the acid test of so much of the ideological argument and speculation going on today? Compare the systems -- ours works. And, in large measure, it works because of people like you -- people who believe in the value of a service or product but, even more importantly, believe in the value of a way of life that is uniquely American.

My time at the Treasury will soon be over. But leaving the Treasury does not mean abandoning my deep-seated concerns and translating them into outspoken criticism whenever necessary.

Don't get me wrong. I don't regret a moment of the time I have spent in government. It's been a very rich and rewarding experience. If I have tilted at a few windmills, I think I have also helped to fight a few giants-- double digit inflation, the energy crisis and the political panic mentality that cries out for more controls and tampering with the economy instead of allowing the enormous self-correcting mechanisms of the market place to take effect.

But the more I have seen of government, the more I recognize the limits of what it can do <u>for</u> people -- as opposed to what it can do <u>to</u> them.

Government can change the law, but it cannot change human nature. Government can impede or ease the way for individual initiative. But only the individual himself can create, can change, can brave new horizons.

More than anywhere else, that is what happens here in America. Our greatest progress has come through individuals -- not through voter blocs or special interest groups. It happens through voluntary organizations like this, in company offices like yours, in schools and labs and libraries and civic groups across this great land of ours where, every day, individuals with a better idea are solving problems and creating new opportunities.

What we call the American experience -- the American story -- is the sum total of those individual contributions. And each of us is a small but important part of it. That, more than any great document or charismatic leader, is what sums up the true meaning and purpose of America. And, with the light of truth and the courage of our convictions, that is what we can preserve for our prosperity.

Thank you.

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e Department of the TREASURY NEWS
SHINGTON, D.C. 20220 TELEPHONE 964-2041

ADDRESS BY THE HONORABLE WILLIAM E. SIMON
SECRETARY OF THE TREASURY
IN ACCEPTING
THE DISTINGUISHED ACHIEVEMENT AWARD
OF THE
MONEY MARKETEERS OF NEW YORK UNIVERSITY
OCTOBER 26, 1976

Paul Meek, John Sawhill, Michael Grunebaum
President Lee Burnham, distinguished guests and good friends:

Thank you for your warm welcome and for choosing me to receive your first Distinguished Achievement Award. This award is, of course, a deep personal honor for me. But also, in establishing it, your organization -- with the encouragement of Dean Dill of New York University's Graduate School of Business -- has rightly chosen to recognize and emphasize the vital role played by our financial markets and financial system both here and abroad. For that role is incalculable in providing liquidity and investment which assists in promoting domestic and international economic and financial stability and in strengthening the free market system world wide.

It is also a special pleasure to receive such generous treatment from the Money Marketeers. I not only count many old friends among you, I consider you an outstanding force for leadership within and beyond the financial community. And I know that each of you shares with me a profound concern about the future and the continued growth of the remarkable economic system that has given our nation the highest living standards, the greatest prosperity and the best opportunities for progress and fulfillment enjoyed by any people in history.

Tonight I'd like to talk briefly with you about the economy both as a force in world affairs and in terms of our national goals, highlighting some of the progress we have made and the challenges we still face.

You may be familiar with the old Chinese curse: "May you live in interesting times." All of us would agree that, from an economic as well as a political point of view, we have been living in interesting times, indeed. In the past few years the world economy has sustained a number of severe jolts: a fourfold increase in oil prices, large-scale money movements between nations, collapse of the old monetary order, inflation and recession. These have had an enormous impact on the economies of developed and developing nations alike and fluctuations in economic fortunes have led to changes, at times abrupt, in the political fortunes of these countries.

The role of the United States in meeting those challenges has been crucial. A quarter century ago, it was commonplace to observe that when the U.S. sneezed, the world caught cold and when the U.S. caught cold, the world came down with pneumonia. While that is no longer as true today as it was then, we are still the major economic force in the world. With less than 6 percent of the world's population we account for over 25 percent of its annual production, and our exports and imports each are running at over $100 billion annually -- more than those of any other single nation.

The health of the U.S. economy, then, remains vital to the economic health of other countries. And their political and social stability depends in large measure on their own economic health. These past years have clearly demonstrated that no nation or group of nations can solve their economic problems in insolation. We have witnessed how inflation and recession affect us all. We have observed that no country can achieve success by attempting to export its economic troubles. And we have come to see that the most significant contribution we can make to economic progress in the world is to restore prosperity and durable, non-inflationary growth in our own domestic economies.

For the United States this means, first, that we must follow stable fiscal and monetary policies aimed at reducing inflation and laying the foundation for durable growth and, second, that we must translate these same policies internationally to promote a freer and more open world trade and investment order. That, it must be recognized, will be America's greatest contribution to world economic stability and -- because the economy lies at the heart of the body politic -- a significant contribution to world political stability as well.

Moreover, in determining our international economic policies we must emphasize those same principles of open markets and competition that have served America so well during its two-hundred year history. Our monetary and trade reform accomplishments will shape the world economic system far into the future. We can either continue to promote increased competition, the reduction of tariffs and non-tariff barriers, equitable trading rules and open access to markets and raw materials; or the world economy will develop unwanted cartels to control prices and supplies, protectionism will once again disrupt the flow of trade and capital, and instead of greater international cooperation and shared progress, the world marketplace will be plagued by negative conflicts and economic stagnation.

The international economic system is not truly universal, involving all countries, large and small. Between 1950 and 1975, the level of trade among market economies increased from $50 billion to $800 billion. This dramatic expansion of the world economy has coincided with the creation of scores of new nations and new centers of economic power.

Furthermore, this economic system has undergone -- and survived -- a massive ordeal by fire. In the wake of the most serious economic problems in 40 years, inflation, recession, the energy crisis and other disruptions, neither we nor our trading partners resorted to potentially disastrous dog-eat-dog, begger-thy-neighbor policies. This is an important accomplishment. We must build on it and expand it as we move from a period of economic recovery to a period of economic expansion.

Just as free trade requires open markets, it also requires an open attitude toward foreign investment. Foreign direct investment and short-term credit to finance trade have played an important part in the economic development of the Atlantic community during the postwar period and have a vital part to play today in the Atlantic community as well as the world at large.

The U.S. Government should, and has, set an example by reaffirming its intention to avoid restrictions on foreign investment in the United States, consistent with national security. We believe this is the responsible position not only for ourselves, but for all those who believe in a genuinely free and open world economic order.

Just as the United States has supported the growth of trade and investment, we support -- and with other nations have reached fundamental agreement on -- a comprehensive reform of the world monetary order that will bring it into line with today's needs and realities.

The new system builds importantly on two critical features of the old Bretton Woods framework which it replaces -- the central, pivotal role of the International Monetary Fund as the heart and monitor of the system, and the essential Bretton Woods philosophy of a liberal world monetary order.

But the Bretton Woods system was created against the backdrop of a different world -- the world of the 1930's and 1940's. It is understandable that features of a monetary system designed to meet the problems of that world could become obsolete and anachronistic in the conditions of today, where the structure of the world economy has changed and the problems have changed -- where world trade has grown enormously and capital flows have reached proportions that would astound the leaders of that earlier era -- a world in which nations struggle with the modern-day twin evils of inflation and high unemployment.

Bretton Woods was based on the idea that stability could be imposed from without, that if countries were required to adhere to fixed exchange rates and were supplied with moderate amounts of IMF credit, that arrangement would provide adequate leverage -- at least on deficit members -- to encourage stable economic policies.

The system had an elegant symmetry but even in its heyday it did not work as it was intended. Countries with a balance of payments surplus were reluctant to permit their currencies to appreciate. On the other hand, devaluation by countries experiencing balance of payments deficits were frequent and what was intended to be a system of symmetrical adjustment became lopsided.

The new system does not try to force stability on member countries, but rather looks to the policies of member countries to bring stability to the system. It does not seek to forestall change by imposing rigid rates. Instead it recognized that the competitive positions of countries do and will change, and that it is far less destabilizing to permit rates to move in response to market forces that to hold out until the abandonment of costly large financing efforts brings abrupt changes.

There are those who are nostalgic for the good old days and may translate this nostalgia into a desire to return to the par value system, thinking that fixed rates would bring stability. I would suggest that such beliefs are an illusion. Think again of the chaos and disorder of the closing years of the Bretton Woods system. Think back to those days of market closures which disrupted trade and commerce. Remember, too, the hurried attempts to patch together some solution so that markets might open again. Think back over the last four years of unparalleled flows of money, massive increases in oil prices, inflation, recession, balance of payments problems. Just imagine the old par value system trying to accomodate those strains.

Looking to the future, we face many challenges. But challenges present opportunities and to seize those opportunities we must adopt policies that will:

-- Restore and maintain economic stability in our domestic economies;

-- Make the reformed international monetary system work;

-- Tackle with increased courage and understanding the difficult problems of development in the less developed nations;

-- Continue to work for a free and open world trade and investment order that is essential to a shared prosperity for all.

The pursuit of responsible domestic policies in the United States is particularly important if we are to avoid disrupting both our own economy and, because of our position as a major world economic power, inevitably those of other countries.

After suffering the most severe recession of the postwar era, our economy is now in the midst of a healthy and balanced recovery --

* Inflation has been cut in half since the beginning of 1975;

* Employment is at an all-time high of 88 million workers;

* Industrial output, retail sales, the GNP, personal income, -- all have registered important gains.

Yet the decline in unemployment, though below its recession high point, is irregular and far slower than we want -- reflecting the lagged effect of recession and the surge of new workers into the labor force. And inflation is by no means under firm control and remains the most dangerous enemy of that durable prosperity which we are seeking to achieve.

The economy has now posted positive growth in the output of goods and services for six consecutive quarters. The quarterly pattern of growth has not been even but the overall improvement is readily apparent. Following a stronger-than-expected surge of personal spending in early 1976, the consumer became more cautious during the summer and business capital investment has not accelerated as rapidly as expected. Nevertheless, the facts are that the forecasts of a year ago made by both government and private economists will be surpassed in 1976 for real growth, continued improvement in inflation and the growth of employment and that the unemployment rate projected will be achieved or bettered despite the disappointing increase during the three summer months. Current economic statistics clearly indicate that personal spending is again accelerating, business spending is increasing and housing construction is finally beginning to pick up. We expect the annual growth rate to be higher in the fourth quarter as the disruptive impact of three major strikes in the rubber, coal and automobile industries are overcome and these vital industries contribute to growth rather than holding it back and as personal spending, business capital investment and housing construction all improve. Personal spending will continue to be the crucial sector and there is cause for optimism as long as inflation is held down. As we look back at this period we will recognize that the erratic quarterly pattern of the last year has been typical of other cyclical recoveries and that the strong and well-balanced recovery of the last 1-1/2 years has laid the necessary foundation for economic growth in the future. The exaggerated rhetoric created by the current political campaign should not confuse the fundamental point that the United States has had a strong economic recovery and that the basis for continued growth in 1977 is already in place.

Looking to the future, we expect economic expansion will continue in 1977, but at a somewhat reduced pace. This is a proper pattern because continuation of the rate of output gains in the 6 to 7 percent zone over an extended period of time would inevitably overheat the U.S. economy, once again leading to a new round of inflation; followed soon afterwards by recession and unemployment.

A resurgence of inflation would quickly erode both consumer confidence and actual purchasing power, which would restrict the personal spending that creates the driving force for the entire economy. In turn, business firms would cut back their spending plans, eroding current economic growth and delaying the capital investment necessary for achieving our national goals -- particularly the creation of new jobs.

There never was and is not now a choice between inflation and unemployment, as some claim. That concept is a fallacy. The real choice is between making steady progress on both inflation and unemployment or returning to the stop-and-go economic policies that have failed to provide the needed stability in the past.

In charting our course for the future, we must recognize a basic reality: inflation is the greatest threat to the sustained progress of our economy and the ultimate survival of all of our basic institutions. There is a clear record from the past. When inflation distorts the economic system and destroys the incentives for real improvement the people will no longer support the system and society disintegrates. I am convinced that our uniquely creative and productive society will also collapse if we permit inflation to dominate our economic affairs.

The intensity of my feelings about inflation has resulted in some critics labeling me as obsessed. However, I am not so much obsessed as I am downright antagonistic toward those who consistently advocate higher spending and bigger deficits. We must always remember that it is inflation that:

-- Causes the recessions that so cruelly waste our human and material resources and the tragic unemployment that leaves serious economic and psychological scars long after recovery occurs;

-- Destroys the purchasing power of our people as they strive, too often in a losing struggle, to provide food, housing, clothing, transportation, and medical attention;

-- Is the most vicious hoax ever perpetrated for the expedient purposes of a few at the cost of many.

And there should be no uncertainty about its devastating impact, particularly for low-income families, the elderly dependent upon accumulated financial resources and the majority of working people who don't have the political or economic clout to beat the system by keeping their incomes rising even more rapidly than inflation. When inflation takes over an economy it is the poorest people who suffer most and turn to the Government. It's an insidious process, because they become willing clients of the state and the very policies which created their misery.

And still there are those who continue to advocate the same old tired nostrums that have pushed Federal spending to more than one billion dollars every day, that have produced budget deficits in 38 of the past 46 years, that have driven up the Federal debt to massive proportions, that have forced us in just the past 10 years to borrow half a trillion dollars in the private capital markets -- money swallowed up by the Washington bureaucracy that could and should have been invested in the private sector.

Think what the impact has been on Treasury's debt management responsibilities.

Financing three fiscal year deficits totaling $159 billion would pose a considerable challenge in ideal market conditions. But we have had the added handicap of a financial structure which had been severely impaired by recession and inflation -- a Congress which appeared determined to vote for continually higher outlays and correspondingly larger deficits despite their inflationary implications -- and a deteriorating debt maturity structure which threatened further market congestion in the future.

Therefore, it has been necessary to re-examine and adjust our debt management strategies in order to balance the immediate interest cost advantage of short-term financing with the structural stability of longer-term financing. To accomplish the combined goals of deficit financing and debt extension, the Treasury made use of a wider range of auction techniques in order to attract the broadest and most diversified group of investors and develop a viable and fluid market for longer-term Treasury securities. The traditional "price" auction technique -- the "yield" auction -- the "dutch" auction -- each offered a distinctive characteristic which has facilitated the increasingly frequent financing of Treasury notes and bonds. And the reintroduction of the fixed price subscription has allowed Treasury to appeal directly to investors with considerably larger issues of longer-term securities than could be placed with the conventional market underwriting apparatus.

Because uncertainty is the greatest enemy of the markets, we regularized our financial operations with the combined effect of providing investors a timetable with which to synchronize their purchasing programs with our borrowing schedule, and also helping private borrowers coordinate their activities to their best advantage.

In addition, we have tried to be as straightforward as possible regarding future cash requirements, and have generally communicated these projections to the market with our quarterly refinancing announcements. As you can imagine, when dealing with an entity as large and dynamic as the Federal Government, these forecasts will be subject to some modification. However, we believe these projections combined with a regularized cycle of offerings, have contributed significantly to the successful achievement of Treasury's financial needs.

These techniques and innovations, combined with a strong and resilient Treasury securities market, have permitted the financing of huge deficits more easily.

Despite these accomplishments, we still have a tremendous job ahead of us. The deficit for fiscal year 1977 of at least $50 billion, while smaller than the $65.6 billion deficit last year, is still by historical and current market standards a formidable undertaking. In addition to raising an average of $1 billion of new cash each week, we will need to refund nearly $34 billion in coupon securities and $160 billion in bills. Our continued success in debt management will not only be determined by the amount of cash raised or by the average maturity of the debt outstanding, but also by our ability to convince the Congress to pursue the sound fiscal policies which we are encouraging other nations to follow.

A promising start has been made with enactment of the Congressional Budget Act, and with the determination and cooperation of both Congress and the Executive branch, this new machinery can become an effective tool for fiscal responsibility.

Look back over the boom-and-bust sequence of the past few years -- one of the most difficult periods in modern economic history -- we should be greatly encouraged by how well our financial system functioned under fire. That performance reflects not only the basic strengths and resiliency of the system but is also a tribute to the men and women who are the leaders of the financial community, many of whom are in this room tonight.

Nonetheless, unwise government fiscal and monetary policies have produced straing, and certainly a return to high levels of inflation would only add further pressures on a financial system which has experienced a pronounced shift toward less liquidity and higher debt over the past decade. True, the extensive rebuilding of corporate balance sheets over the past year has improved the mix of assets, liabilities and equity, but only back to their 1972 relative composition. The system is still fairly rigid and less able to absorb the consequences of poor government policies.

Another wave of inflation with rising interest rates and falling equity prices would force more corporate treasurers into short-term financing for long-term needs, lower interest coverage ratios further, and ultimately raise the risk of widespread insolvencies or bankruptcies. Our financial institutions would find themselves faced with growing needs for credit just at the time that serious disintermediation sets in. In other words, a repetition of the credit cycles that have unfortunately characterized our economy and our financial system since the mid-1960s would occur -- but starting this time from an even more highly leveraged overall financial base.

This is one more reason why we must waste no time in finishing the job of putting our economic house in order by pursuing policies that strengthen our financial system and our overall free enterprise economy.

In the past, we have looked at our dynamic free enterprise system as the Golden Goose that produced all our blessings and encouraged the self-initiative that has made our country the envy of the world. But today the Federal Government is growing and spending faster than the goose can lay its eggs. And should these policies continue, they will not only steal all the eggs, but kill the goose itself.

This is the crucial theme that must be communicated broadly and deeply into the national consciousness: the source of our present abundance and the foundation of our hopes for a better future.

And those same economic principles that have worked to create prosperity, stability and, most importantly, freedom at home can also help to shape a freer, more prosperous and liberal world economic order. We desire a shared prosperity. That prosperity can only come through increased flows of investment. Through increased investment we achieve greater productivity and through greater productivity we achieve a higher standard of living for all.

If we preserve and expand a strong economy at home and continue to lead the fight for a freer, more prosperous world economy, then what was once called the American dream -- the seemingly impossible dream of a free, decent existence for everyone -- can become not only the dream, but the reality, of the entire human family.

Again, my profound thanks to all of you for this award.

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FOR RELEASE AT 12:00 NOON
WEDNESDAY, OCTOBER 27, 1976

Joint Statement of
William E. Simon, Secretary of the Treasury
and
James T. Lynn, Director, Office of Management and Budget
on Budget Results for the Transition Quarter

SUMMARY

The September Monthly Statement of Receipts and Outlays of the United States Government is being released today. The statement contains the following final budget totals for the Transition Quarter, July 1 through September 30, 1976. (The Transition Quarter is the special period between the old July-to-June fiscal year, and the new fiscal year established by the Congressional Budget Act of 1974, which runs from October to September.)

Receipts of $81.8 billion.

Outlays of $94.5 billion.

Budget deficit of $12.7 billion.

The January budget estimated transition quarter receipts of $81.9 billion, outlays of $98 billion and a resultant deficit of $16.1 billion.

The Mid-Session Review of the 1977 budget, issued in July 1976, showed revised estimates for the Transition Quarter of $82.1 billion for receipts, $102.1 billion for outlays and a resultant deficit of $20 billion. Most of the $4.1 billion revision in outlays reflected an assumed shift in spending from 1976 to the Transition Quarter. The data released today show that, setting aside adjustments for major financial transactions, outlays for the Transition Quarter are $1.9 billion below the January estimate. The assumed shift in spending in the Transition Quarter from fiscal year 1976 did not occur.

The major sources of the differences in outlays from the January estimates for fiscal year 1976 and the Transition Quarter are:

WS-1143

Sources of Differences in Outlays
(in billions of dollars)

	Fiscal year 1976	Transition quarter	Total
Open-ended programs and fixed costs:			
Payments for individuals.....	-1.2	-.4	-1.7
Other........................	-.6	-.2	-.9
Subtotal, open-ended programs and fixed costs....	-1.9	-.7	-2.6
Department of Defense, Military (excluding major financial transactions):			
Procurement..................	-.5	-.6	-1.1
Operation and maintenance, military personnel, RDTE...	-1.0	-1.0	-1.9
Other........................	-.2	-.3	-.5
Subtotal, DOD, military....	-1.7	-1.9	-3.6
Other programs:			
HEW..........................	.5	.6	1.1
Foreign economic assistance..	-.8	.2	-.6
Interior.....................	-.3	-.1	-.3
Labor (training and employment).....................	-.7	.2	-.5
Transportation...............	-.3	-.4	-.7
EPA..........................	-.1	.3	.2
ERDA.........................	-.2	-.1	-.5
All other....................	-1.7	*	-1.7
Subtotal, other programs...	-3.5	.7	-2.8
Total of the above........	-7.1	-1.9	-9.0
Major financial transactions			
Offshore oilland receipts....	.3	-.8	-.5
Foreign military sales.......	--	-1.2	-1.2
Asset sales..................	-1.1	.4	-.7
Total, major financial transactions............	-.8	-1.6	-2.4
Total........................	-7.9	-3.5	-11.4

*Less than $50 million

AMOUNTS IN THE TRANSITION QUARTER

Receipts

Budget receipts in the transition quarter were $81.8 billion, $0.1 billion below the $81.9 billion estimated in January. Individual income taxes were $1.2 billion below the January estimate, but this was partially offset by increases in other receipts. For instance, social insurance taxes and contributions were up by $0.6 billion, of which $0.5 billion is accounted for by unemployment insurance. Other increases include $0.1 billion for excise taxes, and $0.2 billion for customs duties.

Outlays

Total budget outlays for the transition quarter were $94.5 billion. The change from the January estimate total is accounted for primarily by unanticipated financial transactions, although there have been numerous, nearly offsetting, increases and decreases. It is unclear whether these changes will result in overall increases or decreases for 1977 but it is likely that the effect on total outlays will not be significant. Of much greater significance are the increases to 1977 outlays resulting from congressional action and inaction on 1977 budget proposals.

The following identifies significant outlay changes from the January budget in the transition quarter:

-- Outlays for Department of Defense-Military were $2.5 billion below the budget estimate. Approximately $0.6 billion occurred in procurement approriations. Obligation rates for hardware procurement lagged due to late 1976 appropriations and the increase in procurement appropriations. The effect of this lag on 1977 estimates is uncertain. Obligation rates were slower than expected for operation and maintenance, research and development, and military personnel but these delays have been made up. Much of the outlay shortfall of $1.0 billion in these latter categories is expected to be made up in 1977. Also contributing to the decrease were higher reimbursements of $0.6 billion from foreign military sales that affect outlays in the procurement appropriations.

-- Military Assistance Programs.--Increased spending for military assistance programs was largely offset by unanticipated net receipts of $0.6 billion for foreign military sales.

-- Most of the $2.5 billion change in the Department of the Treasury results from a technical adjustment. The largest part of the $2.3 billion difference in interest on the public debt resulted from converting intra-budgetary interest payments to the trust funds from an accrual to a cash basis. The change is offsetting and has no effect on total budget outlays. The remaining Treasury differences resulted from higher miscellaneous offsetting receipts in such accounts as interest on loans to the Federal Home Loan Bank, and lower-than anticipated outlays from the General Revenue Sharing Trust Fund and other Treasury accounts. At this time Treasury does not anticipate any significant adjustments in fiscal year 1977 outlays due to the variance in the transition quarter.

-- Outlays were $0.8 billion lower because of increased receipts from offshore oil leasing. These receipts are treated as an offset to budget outlays, and the increase is due to the Atlantic outer continental shelf sale. The budget estimate was based on a probability assumption that the chances of no sale were greater than chances for a sale. The sale did take place, and, therefore, without any presumed effect on 1977, the estimate for the transition quarter was too low.

-- Transition quarter outlays for the Department of Housing and Urban Development were down by $530 million from the estimate made in January. This was due to improved market conditions which allowed HUD to make greater than expected mortgage sales at prices favorable to the government. These sales are not expected to affect 1977 estimates. Claims on the FHA Fund from defaults on FHA-insured mortgages were about $150 million lower than predicted for the transition quarter. Presention of these claims is at the discretion of the mortgagees and HUD must pay all claims presented. Claims presented to the FHA Fund in the transition quarter have no effect on claims to be presented in 1977. Total outlays from all other HUD accounts netted out within $60 million of the 1977 Budget estimate.

-- The Veterans Administration estimated transition quarter outlays of $4.4 billion in the January budget. Actual outlays were $4.0 billion. The major share of the $401 million difference is due to lower than expected payments for compensation and pensions, and for readjustment benefit caseloads -- approximately $37 million for the former and $291 million for the latter. Further, housing asset sales were higher than expected Overall, somewhat higher outlay effects may be expected in 1977.

-- Department of Transportation outlays were $360 million below the January estimate. The difference is mainly attributable to three areas within DOT. For the Federal aid highway program, the January Budget anticipated 1976 obligations of $7.2 billion, consistent with the obligations limitation for that year. Instead, States only obligated $4.6 billion in 1976, thereby causing outlays to be lower in the T.Q. by $167 million. As a consequence, outlays in 1977 for this program are expected to drop below the level originally estimated in the January Budget.

For the Federal Aviation Administration, most of the change of $108 million is due to the delay of congressional action on the Administration's legislative proposal regarding the extension of the Airport and Airway Development Act of 1970. Legislative action was expected early in 1976; however, final action slipped until July 1976. No significant outlay impact is expected in FY 1977. For the Urban Mass Transit Administration most of the shortfall of $83 million is due to the failure of UMTA formula grant program recipients to submit complete and timely applications for operating subsidies. No significant outlay impact is expected in FY 1977.

-- Outlays for the Energy Research and Development Agency were about $140 million below the January budget estimate due to unavoidable programmatic delays in such areas as fossil, solar, and geothermal energy research and development.

-- Department of Agriculture outlays for the transition quarter were $589 million above the January estimate. This increase is net of some program shortfalls, increases in offsetting receipts, and outlay increases in three program areas. Outlays for the Commodity Credit Corporation were $246 million higher largely because of the financing of export sales which were anticipated in 1976 but made in the transition quarter. Farmer's Home Administration outlays were $247 million higher largely because asset sales were lower than anticipated. Finally, food stamp demand was $198 million higher than expected. It is not now expected that these increases will have a significant effect on estimates for 1977.

-- The United States Postal Service outlays exceeded the January budget estimate by $507 million. This was the result of a supplemental appropriation which was applied against the accumulated operating indebtedness as of September, 1976.

-- The Department of Health, Education, and Welfare outlay estimates were $669 million above the January budget estimate. The increase from $33.7 billion to $34.3 billion is due largely to congressional action or inaction on the Administration's budget proposals. Non-enactment of cost-savings legislative proposals increased outlays by $413 million; refusal of Congress to enact proposed rescissions of 1976 and transition quarter appropriations required additional outlays of $108 million; and enactment of appropriations in excess of Administrative requests caused additional outlays of $142 million, or $663 million in all from these factors.

-- Environmental Protection Agency.--The increase of $270 million over the January estimates is caused by the waste treatment grant program where construction proceeded more rapidly than had been planned. The higher rate of spending is expected to continue in 1977.

-- Foreign Economic Assistance.--Transition quarter outlays were $226 million higher than estimated in the January budget. The outlay increases result from late enactment of 1976 appropriations, causing a spillover of outlays into the transition quarter and from Congress' add-on of $239.5 million to the Supporting Assistance request for the Transition Quarter. Because the outlay rise in the transition quarter reflects appropriations changes in 1976 and the transition quarter, most of the effect was to shift outlays from 1976 to the transition quarter. Therefore this action is expected to have only a small impact on 1977 outlays.

-- Outlays for the Federal Deposit Insurance Corporation were $207 million higher than the budget estimate. This was due largely to developments not anticipated in earlier planning.

-- Labor Department outlays in the transition quarter exceeded the amount shown in the January budget by $110 million. This was due to higher spending for summer youth programs and slippage of outlays from 1976 into the transition quarter for the public service employment program. Outlays for unemployment compensation were slightly higher than the budget estimate. This is the net effect of a decrease in the unemployment trust fund caused by lower than expected unemployment, and an increase in outlays for benefits to former Federal personnel and ex-servicemen. These changes are not expected to alter 1977 outlays from levels previously estimated.

Transition Quarter
BUDGET RECEIPTS AND OUTLAYS
(in millions of dollars)

Description	January budget estimate	Actual	Change from January
Receipts by Source			
Individual income taxes	40,003	38,801	-1,202
Corporate income taxes	8,416	8,460	44
Social insurance taxes and contributions:			
Employment taxes and contributions	21,729	21,803	74
Unemployment insurance	2,214	2,698	484
Contributions for other insurance and retirement	1,231	1,258	27
Excise taxes	4,371	4,473	102
Estate and gift taxes	1,400	1,455	55
Customs	1,000	1,212	212
Miscellaneous	1,530	1,613	83
Total receipts	81,894	81,773	-121
Outlays by Major Agency			
Legislative branch and the judiciary	317	310	-7
Executive Office of the President	19	16	-2
Funds appropriated to the President:			
Disaster relief	55	71	16
Military assistance programs	129	183	54 a/
Foreign economic assistance	677	903	226
Other	-36	64	100
Agriculture:			
Commodity Credit Corporation, foreign assistance, and special export programs	586	832	246
Other	2,675	3,018	343 a/
Commerce	553	534	-19

Defense:			
Military	24,471	21,926	-2,545 a/
Civil	710	583	-128
Health, Education, and Welfare:			
Social security and medicare	24,485	24,568	83
Other	9,193	9,773	580
Housing and Urban Development	1,927	1,397	-530 a/
Interior	847	788	-59
Justice	618	551	-67
Labor	5,796	5,905	110
Outlays by Major Agency (continued)			
State	382	316	-66
Transporation	3,363	3,003	-360
Treasury:			
Interest on the public debt	10,400	8,102	-2,298 b/
General revenue sharing	1,627	1,588	-39
Other	180	10	-170
Energy Research and Development Administration	1,192	1,051	-141
Environmental Protection Agency	838	1,108	270
General Services Administration	45	3	-42
National Aeronautics and Space Administration	909	953	44
Veterans Administration	4,358	3,957	-401 a/
Civil Service Commission	2,329	2,353	24
Federal Deposit Insurance Corporation	-74	133	207
Federal Home Loan Bank Board	-99	-178	-80
United States Postal Service	431	938	507
Railroad Retirement Board	918	937	19
Small Business Administration	107	78	-29
Other independent agencies	1,459	1,266	-192
Allowance for contingencies	175	---	-175
Undistributed offsetting receipts:			
Federal employer contributions to retirement funds	-979	-985	-6
Interest received by trust trust funds	-2,110	-270	1,839 b/

Rents and royalties on the Outer Continental Shelf................	-500	-1,311	-811 a/
Total outlays...............	97,971	94,473	-3,498 a/
Budget deficit(-)......................	-16,077	-12,700	-3,377

a/ Includes major financial transactions netting to a total change of $1.6 billion.

b/ Most of these changes are technical and are offfsetting. (See Text)

NOTE: Detail may not add to totals due to rounding.

Final[1] Monthly Treasury Statement of

Receipts and Outlays of the United States Government

for period from July 1, 1976 through September 30, 1976

TABLE I--TOTALS OF BUDGET RESULTS AND FINANCING (IN MILLIONS)

Transition Quarter	Budget Receipts and Outlays			Means of Financing			
	Receipts	Outlays	Budget Surplus (+) or Deficit (-)	By Borrowing from the Public	By Reduction of Cash and Monetary Assets Increase (-)	By Other Means	Total Budget Financing
Actual transitional quarter (three months)	$81,773	$94,473	-$12,700	$17,977	-$2,899	-$2,378	$12,700
Comparative data:							
Actual prior quarter (three months)	72,275	90,805	-18,530	23,452	-1,751	-3,171	18,530
Estimated for transition quarter (three months)[2]	82,132	102,110	-19,978	18,946	6,100	-5,068	19,978
Estimated 1977[2]	352,466	399,973	-47,507	62,369	-3,200	-11,662	47,507

TABLE II--SUMMARY OF BUDGET RECEIPTS AND OUTLAYS (In thousands)

Classification	Actual Transition Quarter to Date	Budget Estimates Transition Quarter[2]
RECEIPTS		
Individual income taxes	$38,800,969	$39,729,000
Corporation income taxes	8,460,466	8,925,000
Social insurance taxes and contributions:		
Employment taxes and contributions	21,803,012	21,649,800
Unemployment insurance	2,697,903	2,213,746
Contributions for other insurance and retirement	1,258,218	1,251,370
Excise taxes	4,472,698	4,385,000
Estate and gift taxes	1,454,592	1,373,000
Customs	1,212,173	1,075,000
Miscellaneous	1,612,734	1,530,204
Total	81,772,766	82,132,120
OUTLAYS		
Legislative Branch	224,882	234,590
The Judiciary	85,188	93,871
Executive Office of the President	16,206	18,577
Funds Appropriated to the President:		
International security assistance	468,084	1,472,533
International development assistance	609,060	599,789
Other	144,292	95,932
Department of Agriculture	3,849,622	4,052,275
Department of Commerce	533,952	535,954
Department of Defense - Military	21,926,215	24,455,000
Department of Defense - Civil	582,545	727,977
Department of Health, Education, and Welfare	34,340,745	34,468,427
Department of Housing and Urban Development	1,397,090	2,642,499
Department of the Interior	787,617	884,100
Department of Justice	550,633	616,703
Department of Labor	5,905,346	6,075,435
Department of State	316,144	401,724
Department of Transportation	3,002,507	3,402,270
Department of the Treasury:		
Interest on the public debt	[3]8,101,561	[3]10,100,000
General Revenue Sharing	1,587,642	1,626,589
Other	9,886	436,758
Energy Research and Development Administration	1,051,211	1,189,589
Environmental Protection Agency	1,108,362	1,187,914
General Services Administration	3,202	11,443
National Aeronautics and Space Administration	953,026	908,300
Veterans Administration	3,957,459	4,370,156
Independent agencies	5,527,046	5,104,374
Allowances, undistributed	....	....
Undistributed offsetting receipts:		
Federal employer contributions to retirement funds	-985,125	-986,216
Interest on certain Government accounts	[3]-270,286	[3]-2,116,075
Rents and royalties on the Outer Continental Shelf lands	-1,311,119	-500,000
Total	94,472,996	102,110,488
Surplus (+) or deficit (-)	-12,700,230	-19,978,368

See footnotes on page 3.

Source: Bureau of Government Financial Operations, Department of the Treasury

TABLE III--BUDGET RECEIPTS AND OUTLAYS (In thousands)

Classification of Receipts	This Month			Transition Quarter to Date			Comparable Prior Quarter		
	Gross Receipts	Refunds (Deduct)	Net Receipts	Gross Receipts	Refunds (Deduct)	Net Receipts	Gross Receipts	Refunds (Deduct)	Net Receipts
Individual income taxes:									
Withheld	[4] $10,405,590			$32,949,319			$28,632,620		
Presidential Election Campaign Fund	88			540			398		
Other	[4] 5,248,947			6,808,720			6,205,578		
Total--Individual income taxes	15,654,625	$141,863	$15,512,762	39,758,579	$957,610	$38,800,969	34,838,596	$1,210,902	$33,627,694
Corporation income taxes	6,812,308	553,800	6,258,508	9,808,905	1,348,439	8,460,466	9,159,982	1,159,980	8,000,002
Social insurance taxes and contributions:									
Employment taxes and contributions:									
Federal old-age and survivors ins. trust fund:									
Federal Insurance Contributions Act taxes	[4] 4,561,917	....	4,561,917	13,827,917	....	13,827,917	12,097,490	....	12,097,490
Self-Employment Contributions Act taxes	[4] 211,175	....	211,175	211,175	....	211,175	196,159	....	196,159
Deposits by States	[5] -460,046	....	-460,046	1,846,756	....	1,846,756	1,760,991	....	1,760,991
Total--FOASI trust fund	4,313,046	....	4,313,046	15,885,848	....	15,885,848	14,054,640	....	14,054,640
Federal disability insurance trust fund:									
Federal Insurance Contributions Act taxes	[4] 598,960	....	598,960	1,816,960	....	1,816,960	1,589,329	....	1,589,329
Self-Employment Contributions Act taxes	[4] 27,268	....	27,268	27,268	....	27,268	25,621	....	25,621
Deposits by States	183,026	....	183,026	285,823	....	285,823	239,727	....	239,727
Total--FDI trust fund	809,254	....	809,254	2,130,051	....	2,130,051	1,854,676	....	1,854,676
Federal hospital insurance trust fund:									
Federal Insurance Contributions Act taxes	[4] 936,436	....	936,436	2,842,436	....	2,842,436	2,487,161	....	2,487,161
Self-Employment Contributions Act taxes	[4] 30,699	....	30,699	30,699	....	30,699	28,930	....	28,930
Receipts from railroad retirement account	135,863	....	135,863	135,863	....	135,863	135,544	....	135,544
Deposits by States	286,475	....	286,475	447,557	....	447,557	375,224	....	375,224
Premiums collected for uninsured individuals	776	....	776	2,248	....	2,248	1,784	....	1,784
Total--FHI trust fund	1,390,249	....	1,390,249	3,458,803	....	3,458,803	3,028,644	....	3,028,644
Railroad retirement accounts:									
Railroad Retirement Tax Act taxes	25,312	15	25,298	328,344	34	328,310	261,835	124	261,711
Total--Employment taxes and contributions	6,537,861	15	6,537,847	21,803,047	34	21,803,012	19,199,795	124	19,199,671
Unemployment insurance:									
Unemployment trust fund:									
State taxes deposited in Treasury	91,984	....	91,984	2,289,297	....	2,289,297	1,439,534	....	1,439,534
Federal Unemployment Tax Act taxes	37,089	1,600	35,489	377,378	6,137	371,241	314,925	7,214	307,711
Railroad Unemployment Ins. Act contributions	25,149	....	25,149	37,365	....	37,365	28,079	....	28,079
Total--Unemployment trust fund	154,222	1,600	152,622	2,704,041	6,137	2,697,903	1,782,538	7,214	1,775,324
Contributions for other insurance and retirement:									
Federal supplementary medical ins. trust fund:									
Premiums collected for the aged	162,189	....	162,189	492,298	....	492,298	428,143	....	428,143
Premiums collected for the disabled	15,304	....	15,304	46,350	....	46,350	40,517	....	40,517
Total--FSMI trust fund	177,492	....	177,492	538,648	....	538,648	468,660	....	468,660
Federal employees retirement contributions:									
Civil service retirement and disability fund	203,682	....	203,682	702,554	....	702,554	665,785	....	665,785
Foreign service retirement and disability fund	891	....	891	3,489	....	3,489	3,733	....	3,733
Other	67	....	67	204	....	204	74	....	74
Total--Federal employees retirement contributions	204,640	....	204,640	706,247	....	706,247	669,592	....	669,592

See footnotes on page 3.

Classification of Receipts--Continued	This Month			Transition Quarter to Date			Comparable Prior Quarter		
	Gross Receipts	Refunds (Deduct)	Net Receipts	Gross Receipts	Refunds (Deduct)	Net Receipts	Gross Receipts	Refunds (Deduct)	Net Receipts
Social insurance taxes and contributions--Continued									
Contributions for other insurance and retirement--Continued									
Other retirement contributions:									
Civil service retirement and disability fund	$4,125	....	$4,125	$13,323	....	$13,323	$8,334	....	$8,334
Total--Contributions for other insurance and retirement..................................	386,258	....	386,258	1,258,218	....	1,258,218	1,146,586	....	1,146,586
Total--Social insurance taxes and contributions......	7,078,341	$1,614	7,076,727	25,765,305	$6,172	25,759,134	22,128,919	$7,338	22,121,581
Excise taxes:									
Miscellaneous excise taxes.........................	848,685	17,875	830,810	2,563,946	44,209	2,519,737	2,793,398	35,565	2,757,833
Airport and airway trust fund.......................	95,872	....	95,872	277,480	579	276,901	254,211	446	253,765
Highway trust fund..................................	559,661	....	559,661	1,676,583	522	1,676,060	1,326,931	479	1,326,453
Total--Excise taxes	1,504,218	17,875	1,486,343	4,518,008	45,311	4,472,698	4,374,540	36,489	4,338,051
Estate and gift taxes....................................	467,041	13,577	453,464	1,485,247	30,654	1,454,592	1,384,572	20,794	1,363,778
Customs duties..	439,899	11,141	428,758	1,242,772	30,599	1,212,173	959,615	32,423	927,192
Miscellaneous receipts:									
Deposits of earnings by Federal Reserve Banks........	510,938	....	510,938	1,500,459	....	1,500,459	1,365,287	....	1,365,287
Fees for licenses to import petroleum and petroleum products..	[6] -22,995	....	-22,995	-49,812	....	-49,812	350,014	....	350,014
All other	48,766	-121	48,886	162,185	97	162,088	181,664	28	181,636
Total--Miscellaneous receipts.....................	536,709	-121	536,829	1,612,832	97	1,612,734	1,896,966	28	1,896,938
Total--Budget receipts...........................	32,493,141	739,748	31,753,393	84,191,648	2,418,882	81,772,766	74,743,189	2,467,955	72,275,235

FOOTNOTES

NOTE: The enactment of the Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344) established a new fiscal year period (October 1 through September 30) effective with fiscal year 1977. There will be a three month transition quarter between fiscal year 1976, which ends June 30, 1976 and fiscal year 1977 which begins October 1, 1976. The data presented in this statement in the columns "transition quarter to date", and "comparable prior quarter" is cumulative for the months July through September 1976 and July through September 1975 respectively.

[1]This statement contains the final figures showing budget results for Transitional Quarter ending September 30, 1976.

[2]Based on revised estimates of the 1977 Budget update released July 16, 1976.

[3]Effective September 1976 Interest on Special issues for government accounts was converted from an accrual basis to a cash basis retroactive for the Transition Quarter. Interest on Special issues is an intrabudgetary outlay which is offset by the intrabudgetary receipt of interest by various government accounts. Therefore, although the total interest for Public and Special issues is less than was estimated under an accrual basis, the change to the cash basis for special issues has no effect on total outlays for the transition quarter cash shown below:

	Transition Quarter (in Billions)		
	Actual	Estimate	Net Difference
Interest on the Public Debt	$8.1	$10.1	$2.0
Undistributed Offsetting Receipts: Interest on Certain Gov't Accounts	-0.3	-2.1	-1.8
Net Totals	7.8	8.0	0.2

[4]In accordance with the provisions of the Social Security Act, as amended "Individual income taxes withheld" have been decreased and "Federal Insurance Contributions Act" taxes have been increased in the amount of $132,313,538 to correct estimates for quarter ended December 31, 1975. "Individual income taxes other" have been decreased and "Self Employment Contributions Act Taxes" have been increased in the amount of $22,141,812 to correct estimates for the calendar year 1974 and prior.

[5]Includes $469,500,577 distribution to Federal Disability and Hospital Insurance Trust Funds.

[6]Represents refunds of prior collections.

[7]Includes gold tranche drawing rights plus dollars held by the fund for operating purposes.

*Less than $500.00

**Less than $500,000.00

Throughout this Statement, details may not add to totals because of rounding.

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands) 4

Classification of OUTLAYS	This Month			Transition Quarter to Date			Comparable Prior Quarter		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Legislative Branch:									
Senate	$10,039	....	$10,039	$31,672	....	$31,672	$29,488	....	$29,488
House of Representatives	35,352	$8	35,343	56,661	$13	56,648	50,612	$12	50,600
Joint items	16,775	....	16,775	17,566	....	17,566	25,731	....	25,731
Congressional Budget Office	667	....	667	1,776	....	1,776	....	....	....
Architect of the Capitol	5,601	....	5,601	15,200	....	15,200	13,850	....	13,850
Library of Congress	8,925	....	8,925	27,432	....	27,432	27,180	....	27,180
Government Printing Office:									
General fund appropriations	7,472	....	7,472	32,317	....	32,317	23,883	....	23,883
Revolving fund (net)	11,476	....	11,476	8,271	....	8,271	-4,277	....	-4,277
General Accounting Office	12,625	....	12,625	32,691	....	32,691	30,578	....	30,578
United States Tax Court	530	....	530	1,754	....	1,754	1,626	....	1,626
Other	878	....	878	3,108	....	3,108	2,470	....	2,470
Proprietary receipts from the public	....	1,523	-1,523	....	3,391	-3,391	....	2,426	-2,426
Intrabudgetary transactions	-98	....	-98	-163	....	-163	-132	....	-132
Total--Legislative Branch	110,241	1,531	108,710	228,287	3,404	224,882	201,008	2,438	198,570
The Judiciary:									
Supreme Court of the United States	690	....	690	1,872	....	1,872	1,652	....	1,652
Courts of Appeals, District Courts, and other judicial services	19,831	....	19,831	61,255	....	61,255	35,755	....	35,755
Federal Judicial Center	418	....	418	1,149	....	1,149	487	....	487
Space and facilities, The Judiciary	2	....	2	16,189	....	16,189	2,813	....	2,813
Other	1,715	....	1,715	5,550	....	5,550	2,956	....	2,956
Proprietary receipts from the public	....	94	-94	....	826	-826	....	155	-155
Total--The Judiciary	22,657	94	22,563	86,015	826	85,188	43,663	155	43,508
Executive Office of the President:									
Compensation of the President	21	....	21	63	....	63	63	....	63
The White House Office	1,335	....	1,335	4,136	....	4,136	4,032	....	4,032
Office of Management and Budget	1,790	....	1,790	5,373	....	5,373	5,525	....	5,525
Office of Telecommunications Policy	1,565	....	1,565	2,136	....	2,136	725	....	725
Special Action Office for Drug Abuse Prevention	32	....	32	788	....	788	3,928	....	3,928
Other	1,142	....	1,142	3,712	....	3,712	3,321	....	3,321
Total--Executive Office of the President	5,883	....	5,883	16,206	....	16,206	17,593	....	17,593
Funds Appropriated to the President:									
Appalachian regional development programs	26,465	6	26,459	73,548	9	73,539	86,490	73	86,417
Disaster relief	27,177	....	27,177	71,321	....	71,321	65,023	....	65,023
Expansion of defense production	....	....	....	....	....	....	....	1,861	--1,861
Foreign assistance:									
International security assistance:									
Liquidation of foreign military sales fund	-5,553	....	-5,553	-16,322	....	-16,322	-3,970	6,782	-10,752
Military assistance	35,844	....	35,844	244,365	....	244,365	85,304	....	85,304
Foreign military training	2,933	....	2,933	8,879	....	8,879	....	....	....
Military assistance, South Vietnamese Forces	411	....	411	1,467	....	1,467	94,095	....	94,095
Foreign military credit sales	147,097	....	147,097	757,666	....	757,666	37,682	....	37,682
Security supporting assistance	25,923	....	25,923	284,638	....	284,638	120,755	....	120,755
Emergency security assistance for Israel	7,340	....	7,340	27,842	....	27,842	119,222	....	119,222
Advances, foreign military sales	356,685	....	356,685	1,812,972	....	1,812,972	1,224,413	....	1,224,413
Other	....	....	....	....	....	....	1,901	....	1,901
Proprietary receipts from the public:									
Advances, foreign military sales	....	873,625	-873,625	....	2,539,249	-2,539,249	....	1,182,571	-1,182,571
Other	....	12,330	-12,330	....	114,173	-114,173	....	55,792	-55,792
Total--International security assistance	570,679	885,955	-315,276	3,121,507	2,653,422	468,084	1,679,401	1,245,145	434,257

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

Classification of OUTLAYS--Continued	This Month: Outlays	This Month: Applicable Receipts	This Month: Net Outlays	Transition Quarter to Date: Outlays	Transition Quarter to Date: Applicable Receipts	Transition Quarter to Date: Net Outlays	Comparable Prior Quarter: Outlays	Comparable Prior Quarter: Applicable Receipts	Comparable Prior Quarter: Net Outlays
Funds Appropriated to the President--Continued									
Foreign assistance--Continued									
Indochina postwar reconstruction assistance	301	....	301	-$3,302	....	-$3,302	$41,076	....	$41,076
International development assistance:									
Multilateral assistance:									
International financial institutions	10,951	....	10,951	345,427	....	345,427	190,581	....	190,581
International organizations and programs	33,312	....	33,312	84,286	....	84,286	35,543	....	35,543
Bilateral assistance:									
Public enterprise funds:									
Development loans revolving fund	56,907	$608	56,299	109,585	$1,984	107,600	96,517	$83,723	12,793
Overseas Private Investment Corporation	1,389	2,809	-1,420	8,152	9,917	-1,765	3,740	10,275	-6,535
Inter-American Foundation	455	....	455	1,567	....	1,567	2,016	1	2,015
Other	366	215	151	1,753	1,137	616	806	1,183	-377
Functional development assistance program	64,250	....	64,250	13,316	....	13,316	184,090	....	184,090
Payment to foreign service retirement and disability fund	....	....	....	580	....	580	15	....	15
American schools and hospitals abroad	2,970	....	2,970	6,982	....	6,982	3,480	....	3,480
International disaster assistance	2,654	....	2,654	8,190	....	8,190	-7,758	....	-7,758
Other assistance programs	20,129	....	20,129	212,454	....	212,454	23,067	....	23,067
Intragovernmental funds	119	....	119	-301	....	-301	-557	....	-557
Proprietary receipts from the public	....	96,809	-96,809	....	169,889	-169,889	....	8,626	-8,626
Total--Bilateral assistance	149,238	100,442	48,796	362,276	182,928	179,348	305,416	103,808	201,608
Total--International development assistance	193,500	100,442	93,059	791,989	182,928	609,060	531,539	103,808	427,731
International Narcotics Control Assistance	597	....	597	3,044	....	3,044	7,483	....	7,483
President's foreign assistance contingency fund	222	....	222	1,442	....	1,442	-1,380	....	-1,380
Middle East special requirements fund	1,433	....	1,433	7,942	....	7,942	6,251	....	6,251
Total--Foreign assistance	766,733	986,396	-219,664	3,922,621	2,836,351	1,086,271	2,264,371	1,348,953	915,418
Naval Petroleum Reserve Strategic Petroleum Storage	....	12,340	-12,340	....	12,340	-12,340	....	....	....
Other	2,169	....	2,169	2,646	....	2,646	505	....	505
Total--Funds Appropriated to the President	822,544	998,743	-176,199	4,070,136	2,848,699	1,221,437	2,416,389	1,350,886	1,065,503
Department of Agriculture:									
Departmental management	-583	....	-583	6,328	....	6,328	10,906	....	10,906
Science and education programs:									
Agricultural Research Service	21,377	....	21,377	69,774	....	69,774	62,090	....	62,090
Animal and Plant Health Inspection Service	34,612	....	34,612	96,324	....	96,324	87,958	....	87,958
Cooperative State Research Service	12,609	....	12,609	28,761	....	28,761	22,409	....	22,409
Extension Service	23,928	....	23,928	55,239	....	55,239	53,666	....	53,666
National Agricultural Library	371	....	371	1,192	....	1,192	1,154	....	1,154
Total--Science and education programs	92,897	....	92,897	251,290	....	251,290	227,276	....	227,276
Agricultural economics:									
Statistical Reporting Service	2,180	....	2,180	6,947	....	6,947	6,564	....	6,564
Economic Research Service	-132	....	-132	3,455	....	3,455	5,676	....	5,676
Marketing Services	599	....	599	1,740	....	1,740	1,923	....	1,923
International programs:									
Foreign Agricultural Service	5,198	....	5,198	11,494	....	11,494	8,589	....	8,589
Foreign assistance and special export programs	-64,481	....	-64,481	146,220	....	146,220	112,199	....	112,199
Agricultural Stabilization and Conservation Service:									
Salaries and expenses	19,850	....	19,850	35,503	....	35,503	23,408	....	23,408
Sugar act program	979	....	979	986	....	986	4,723	....	4,723
Agricultural conservation program (REAP)	63,388	....	63,388	121,196	....	121,196	50,893	....	50,893
Cropland adjustment program	21	....	21	11	....	11	141	....	141
Emergency conservation measures	1,077	....	1,077	3,399	....	3,399	1,756	....	1,756
Forestry incentives programs	439	....	439	1,729	....	1,729	1,226	....	1,226
Other	723	....	723	2,606	....	2,606	2,767	....	2,767
Total--Agricultural Stabilization and Conservation Service	86,476	....	86,476	165,430	....	165,430	84,915	....	84,915

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

Classification of OUTLAYS--Continued	This Month			Transition Quarter to Date			Comparable Prior Quarter		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Department of Agriculture--Continued									
Corporations:									
Federal Crop Insurance Corporation:									
Federal Crop Insurance Corporation fund	$8,567	$7,427	$1,140	$16,050	$14,270	$1,781	$9,657	$14,194	-$4,537
Administrative and operating expenses	540	....	540	3,504	....	3,504	4,747	....	4,747
Commodity Credit Corporation:									
Price support and related programs	206,782	92,623	114,159	816,592	364,725	451,868	893,882	541,505	352,377
Special activities:									
Intragovernmental funds	277,858	50,000	227,858	281,591	49,980	231,612	440	....	440
National Wool Act program	1,044	....	1,044	1,814	....	1,814	937	....	937
Total--Commodity Credit Corporation	485,684	142,623	343,062	1,099,998	414,704	685,294	895,259	541,505	353,754
Total--Corporations	494,792	150,050	344,742	1,119,552	428,974	690,578	909,663	555,699	353,965
Rural development:									
Rural Development Service	70	....	70	252	....	252	278	....	278
Rural Electrification Administration	1,584	....	1,584	4,856	....	4,856	5,298	....	5,298
Farmers Home Administration:									
Public enterprise funds:									
Rural housing insurance fund	361,849	153,666	208,183	1,114,759	600,749	514,010	923,950	995,867	-71,917
Agricultural credit insurance fund	131,257	106,998	24,260	423,881	582,908	-159,027	435,764	187,300	248,463
Rural development insurance fund	68,750	31,510	37,239	238,286	238,741	-455	191,723	154,435	37,288
Other	2,624	6	2,617	2,226	71	2,155	-824	120	-944
Rural water and waste disposal grants	8,833	....	8,833	24,148	....	24,148	18,326	....	18,326
Salaries and expenses	13,225	....	13,225	37,383	....	37,383	36,756	....	36,756
Other	1,418	....	1,418	5,449	....	5,449	4,847	....	4,847
Total--Farmers Home Administration	587,957	292,181	295,776	1,846,132	1,422,469	423,663	1,610,541	1,337,722	272,819
Total--Rural development	589,610	292,181	297,430	1,851,240	1,422,469	428,771	1,616,117	1,337,722	278,395
Soil Conservation Service:									
Conservation operations	17,923	....	17,923	57,069	....	57,069	53,862	....	53,862
Watershed and flood prevention operations	17,612	....	17,612	47,712	....	47,712	45,905	....	45,905
Other	7,375	....	7,375	21,325	....	21,325	19,893	....	19,893
Consumer programs:									
Agricultural Marketing Service:									
Marketing services	3,820	....	3,820	9,922	....	9,922	10,208	....	10,208
Funds for strengthening markets, income and supply	-3,653	....	-3,653	63,909	....	63,909	62,080	....	62,080
Milk market orders assessment fund	....	513	-513	3,474	4,424	-950	5,148	6,474	-1,326
Other	2,567	....	2,567	9,400	....	9,400	12,171	....	12,171
Total--Agricultural Marketing Service	2,734	513	2,221	86,704	4,424	82,280	89,608	6,474	83,135
Food and Nutrition Service:									
Food stamp program	475,566	....	475,566	1,366,642	....	1,366,642	1,381,174	....	1,381,174
Special milk program	5,206	....	5,206	46,993	....	46,993	7,081	....	7,081
Child nutrition program	107,363	....	107,363	346,012	....	346,012	200,450	....	200,450
Food donations program	192	....	192	446	....	446	....	....	....
Total--Food and Nutrition Service	588,326	....	588,326	1,760,093	....	1,760,093	1,588,705	....	1,588,705
Total--Consumer Programs	591,060	513	590,547	1,846,797	4,424	1,842,373	1,678,313	6,474	1,671,840

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

Classification of OUTLAYS--Continued	This Month			Transition Quarter to Date			Comparable Prior Quarter		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Department of Agriculture--Continued									
Forest Service:									
Intragovernmental funds	$1,064	....	$1,064	$4,480	....	$4,480	$2,558	....	$2,558
Forest protection and utilization	67,201	....	67,201	202,790	....	202,790	189,837	....	189,837
Construction and land acquisition	2,248	....	2,248	6,173	....	6,173	7,327	....	7,327
Forest roads and trails	12,378	....	12,378	467	....	467	13,841	....	13,841
Forest Service permanent appropriations	118,622	....	118,622	167,441	....	167,441	131,747	....	131,747
Cooperative work	5,436	....	5,436	16,346	....	16,346	14,179	....	14,179
Other	3,154	....	3,154	19,633	....	19,633	10,098	....	10,098
Total--Forest Service	210,102	....	210,102	417,330	....	417,330	369,588	....	369,588
Proprietary receipts from the public	....	$132,467	-132,467	....	$248,441	-248,441	....	$103,388	-103,388
Total--Department of Agriculture	2,050,628	575,211	1,475,417	5,953,929	2,104,307	3,849,622	5,151,390	2,003,283	3,148,107
Department of Commerce:									
General Administration	603	....	603	4,961	....	4,961	4,287	....	4,287
Office of Energy Programs	145	....	145	455	....	455	....	....	....
Bureau of the Census	1,988	....	1,988	18,173	....	18,173	26,607	....	26,607
Bureau of Economic Analysis	869	....	869	2,655	....	2,655	....	....	....
Economic Development Assistance:									
Economic Development Administration:									
Economic development revolving fund	-85	3,172	-3,257	32	10,090	-10,058	22,756	10,310	12,446
Economic development assistance programs	24,944	....	24,944	81,793	....	81,793	60,636	....	60,636
Job opportunities program	26,258	....	26,258	78,658	....	78,658	26,074	....	26,074
Other	1,794	....	1,794	6,006	....	6,006	7,825	....	7,825
Regional Action Planning Commissions	7,242	....	7,242	31,025	....	31,025	24,095	....	24,095
Total--Economic Development Assistance	60,152	3,172	56,980	197,514	10,090	187,424	141,386	10,310	131,075
Promotion of Industry and Commerce:									
Domestic and International Business Administration	5,187	....	5,187	15,384	....	15,384	15,587	....	15,587
Minority Business Enterprise	5,464	....	5,464	14,472	....	14,472	13,904	....	13,904
United States Travel Service	1,260	....	1,260	3,428	....	3,428	2,729	....	2,729
Total--Promotion of Industry and Commerce	11,911	....	11,911	33,284	....	33,284	32,219	....	32,219
Science and Technology:									
National Oceanic and Atmospheric Administration	58,443	122	58,321	139,118	614	138,504	126,649	653	125,996
National Fire Prevention and Control Administration	901	....	901	2,924	....	2,924	738	....	738
Patent and Trademark Office	7,256	....	7,256	19,885	....	19,885	20,046	....	20,046
Science and Technical Research	7,308	....	7,308	18,166	....	18,166	22,215	....	22,215
Total--Science and Technology	73,908	122	73,787	180,093	614	179,479	169,648	653	168,995
Maritime Administration:									
Public enterprise funds	187	2,045	-1,858	1,499	6,265	-4,766	690	4,657	-3,967
Ship construction	17,865	....	17,865	41,950	....	41,950	46,982	....	46,982
Operating-differential subsidies	36,622	....	36,622	85,326	....	85,326	78,436	....	78,436
Other	5,564	....	5,564	15,365	....	15,365	17,808	....	17,808
Total--Maritime Administration	60,238	2,045	58,193	144,139	6,265	137,874	143,916	4,657	139,259
Proprietary receipts from the public	....	4,782	-4,782	....	13,720	-13,720	....	12,277	-12,277
Intrabudgetary transactions	-2,543	....	-2,543	-16,632	....	-16,632	-13,622	....	-13,622
Total--Department of Commerce	207,271	10,121	197,151	564,642	30,689	533,952	504,441	27,897	476,544

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands) 8

Classification of OUTLAYS--Continued	This Month			Transition Quarter to Date			Comparable Prior Quarter		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Department of Defense--Military:									
Military personnel:									
Department of the Army	$779,413	...	$779,413	$2,461,438	...	$2,461,438	$2,453,047	...	$2,453,047
Department of the Navy	719,976	...	719,976	1,971,189	...	1,971,189	1,934,285	...	1,934,285
Department of the Air Force	641,541	...	641,541	1,925,690	...	1,925,690	1,947,445	...	1,947,445
Total--Military personnel	2,140,930	...	2,140,930	6,358,317	...	6,358,317	6,334,777	...	6,334,777
Retired Military personnel	651,605	...	651,605	1,947,333	...	1,947,333	1,735,627	...	1,735,627
Operation and maintenance:									
Department of the Army	936,822	...	936,822	2,257,252	...	2,257,252	1,941,690	...	1,941,690
Department of the Navy	755,447	...	755,447	2,209,211	...	2,209,211	2,074,202	...	2,074,202
Department of the Air Force	743,627	...	743,627	2,161,492	...	2,161,492	2,148,510	...	2,148,510
Defense agencies	228,833	...	228,833	632,826	...	632,826	573,593	...	573,593
Total--Operation and maintenance	2,664,730	...	2,664,730	7,260,781	...	7,260,781	6,737,995	...	6,737,995
Procurement:									
Department of the Army	228,357	...	228,357	167,274	...	167,274	444,072	...	444,072
Department of the Navy	611,342	...	611,342	1,926,123	...	1,926,123	1,968,442	...	1,968,442
Department of the Air Force	493,911	...	493,911	1,630,468	...	1,630,468	1,540,626	...	1,540,626
Defense agencies	22,589	...	22,589	42,556	...	42,556	22,867	...	22,867
Total--Procurement	1,356,197	...	1,356,197	3,766,420	...	3,766,420	3,976,006	...	3,976,006
Research, development, test and evaluation:									
Department of the Army	135,142	...	135,142	436,708	...	436,708	459,593	...	459,593
Department of the Navy	287,329	...	287,329	778,418	...	778,418	778,359	...	778,359
Department of the Air Force	271,785	...	271,785	829,809	...	829,809	835,328	...	835,328
Defense agencies	61,689	...	61,689	160,745	...	160,745	113,800	...	113,800
Total--Research, development, test and evaluation	755,945	...	755,945	2,205,681	...	2,205,681	2,187,080	...	2,187,080
Military construction:									
Department of the Army	30,660	...	30,660	83,032	...	83,032	189,277	...	189,277
Department of the Navy	53,862	...	53,862	169,119	...	169,119	161,263	...	161,263
Department of the Air Force	47,144	...	47,144	119,821	...	119,821	89,944	...	89,944
Defense agencies	1,550	...	1,550	4,238	...	4,238	6,042	...	6,042
Total--Military construction	133,216	...	133,216	376,211	...	376,211	446,526	...	446,526
Family housing:									
Homeowners assistance fund	448	$440	7	1,008	$861	148	1,349	$1,828	-479
Other	110,818	...	110,818	295,806	...	295,806	299,299	...	299,299
Total--Family housing	111,265	440	110,825	296,814	861	295,954	300,648	1,828	298,820
Civil Defense	7,366	...	7,366	17,621	...	17,621	7,864	...	7,864
Special foreign currency program	55	...	55	912	...	912	672	...	672
Revolving and management funds:									
Public enterprise funds:									
Department of the Army	(*)	...	(*)	(*)	...	(*)	...	...	...
Department of the Navy	116	116	(*)	212	271	-59	185	343	-158
Department of the Air Force	...	...	...	...	...	...	(*)	...	(*)
Intragovernmental funds:									
Department of the Army	-145,485	...	-145,485	-150,601	...	-150,601	-52,647	...	-52,647
Department of the Navy	14,042	...	14,042	28,182	...	28,182	-7,704	...	-7,704
Department of the Air Force	-11,007	...	-11,007	-66,416	...	-66,416	-25,696	...	-25,696
Defense agencies	-44,982	...	-44,982	-117,195	...	-117,195	-147,734	...	-147,734
Total--Revolving and management funds	-187,316	116	-187,432	-305,818	271	-306,089	-233,596	343	-233,939

See footnotes on page 3.

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

Classification of OUTLAYS--Continued	This Month			Transition Quarter to Date			Comparable Prior Quarter		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Department of Defense--Military--Continued									
Miscellaneous trust revolving funds	$14,674	$11,923	$2,751	$27,081	$32,444	-$5,363	$22,311	$24,984	-$2,673
Miscellaneous trust funds	2,099	...	2,099	3,635	...	3,635	1,445	...	1,445
Proprietary receipts from the public	...	-218,162	218,162	...	-7,474	7,474	...	86,858	-86,858
Intrabudgetary transactions	-1,795	...	-1,795	-2,671	...	-2,671	-890	...	-890
Total--Department of Defense--Military	7,648,971	-205,683	7,854,654	21,952,317	26,102	21,926,215	21,516,463	114,013	21,402,450
Department of Defense--Civil:									
Cemeterial expenses, Army	799	...	799	1,501	...	1,501	722	...	722
Corps of Engineers:									
Intragovernmental funds	-34,318	...	-34,318	-25,024	...	-25,024	40,655	...	40,655
Other	238,173	...	238,173	621,923	...	621,923	541,117	...	541,117
Proprietary receipts from the public	...	3,242	-3,242	...	17,420	-17,420	...	18,476	-18,476
Soldiers' and Airmen's Home:									
Soldiers' and Airmen's Home revolving fund	26	27	(*)	63	71	-8	50	65	-15
Other	1,271	...	1,271	3,501	...	3,501	3,456	...	3,456
The Panama Canal:									
Panama Canal Company	25,581	23,045	2,536	60,978	62,446	-1,468	57,597	57,292	305
Other	8,400	...	8,400	15,600	...	15,600	11,443	...	11,443
Other	89	...	89	139	...	139	171	...	171
Proprietary receipts from the public	...	2,399	-2,399	...	9,803	-9,803	...	7,986	-7,986
Intrabudgetary transactions	-5,203	...	-5,203	-6,397	...	-6,397	-3,764	...	-3,764
Total--Department of Defense--Civil	234,818	28,712	206,106	672,285	89,740	582,545	651,447	83,820	567,627
Department of Health, Education, and Welfare:									
Food and Drug Administration	17,661	524	17,137	56,526	1,728	54,798	55,443	1,270	54,173
Health Services Administration:									
Health maintenance organization loan and loan guarantee fund	4,800	...	4,800	7,270	...	7,270	-49	...	-49
Health services	53,701	...	53,701	191,391	...	191,391	231,888	...	231,888
Indian health services and facilities	31,500	...	31,500	91,176	...	91,176	80,877	...	80,877
Other	...	...	...	(*)	...	(*)	54	...	54
Center for Disease Control	18,346	...	18,346	45,887	...	45,887	41,493	...	41,493
National Institutes of Health:									
Intragovernmental funds	-159,248	...	-159,248	-156,957	...	-156,957	-1,029	...	-1,029
Cancer research	96,974	...	96,974	220,365	...	220,365	182,102	...	182,102
Heart and lung research	42,901	...	42,901	106,171	...	106,171	73,237	...	73,237
Arthritis, metabolism and digestive diseases	28,253	...	28,253	51,042	...	51,042	39,795	...	39,795
Neurological diseases and stroke	15,009	...	15,009	35,853	...	35,853	36,808	...	36,808
Allergy and infectious diseases	16,467	...	16,467	39,927	...	39,927	26,424	...	26,424
General medical sciences	32,678	...	32,678	53,751	...	53,751	56,114	...	56,114
Child health and human development	20,634	...	20,634	38,358	...	38,358	36,406	...	36,406
Other research institutes	19,336	...	19,336	67,808	...	67,808	63,128	...	63,128
Other	4,504	...	4,504	15,387	...	15,387	17,416	...	17,416
Total--National Institutes of Health	117,509	...	117,509	471,704	...	471,704	530,402	...	530,402
Alcohol, Drug Abuse, and Mental Health Administration:									
Alcohol, drug abuse, and mental health	53,835	...	53,835	253,508	...	253,508	233,724	...	233,724
Saint Elizabeths Hospital	6,660	...	6,660	15,509	...	15,509	15,928	...	15,928
Other	12	...	12	-9	...	-9	52	...	52
Health Resources Administration:									
Public enterprise funds	3,219	1,008	2,211	16,986	16,670	316	17,998	18,275	-277
Health resources	165,579	...	165,579	298,920	...	298,920	229,590	...	229,590
Office of Assistant Secretary for Health	3,158	...	3,158	54,237	...	54,237	27,964	...	27,964

See footnotes on page 3.

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

Classification of OUTLAYS--Continued	This Month			Transition Quarter to Date			Comparable Prior Quarter		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Department of Health, Education, and Welfare--Continued									
Education Division:									
Office of Education:									
Public enterprise funds:									
Student loan insurance fund	$12,088	$1,822	$10,266	$63,663	$6,145	$57,517	$29,918	$4,253	$25,665
Higher education facilities loan and insurance fund	31,261	1,137	30,124	34,491	3,291	31,200	2,887	3,616	-728
Elementary and secondary education	361,385	....	361,385	706,562	....	706,562	749,370	....	749,370
Indian education	17,931	....	17,931	18,954	....	18,954	8,808	....	8,808
School assistance in federally affected areas	62,653	....	62,653	74,898	....	74,898	42,859	....	42,859
Emergency school aid	19,455	....	19,455	55,457	....	55,457	60,115	....	60,115
Education for the handicapped	16,721	....	16,721	55,435	....	55,435	39,704	....	39,704
Occupational, vocational, and adult education	8,455	....	8,455	89,710	....	89,710	151,301	....	151,301
Higher education	312,375	....	312,375	594,734	....	594,734	419,679	....	419,679
Library resources	-1,383	....	-1,383	18,125	....	18,125	58,456	....	58,456
Educational development	-2,035	....	-2,035	-189	....	-189	14,637	....	14,637
Other	9,580	....	9,580	32,712	....	32,712	26,596	....	26,596
Total--Office of Education	848,487	2,959	845,527	1,744,551	9,436	1,735,115	1,604,329	7,868	1,596,461
National Institute of Education	4,420	....	4,420	14,022	....	14,022	17,296	....	17,296
Office of the Assistant Secretary for Education	1,010	....	1,010	1,866	....	1,866	2,141	....	2,141
Total--Education Division	853,916	2,959	850,957	1,760,439	9,436	1,751,003	1,623,766	7,868	1,615,897
Social and Rehabilitation Service:									
Public assistance:									
Social Services	264,987	....	264,987	464,170	....	464,170	540,396	....	540,396
Health care services	616,620	....	616,620	2,453,657	....	2,453,657	2,019,689	....	2,019,689
Public assistance and other income supplements	619,846	....	619,846	1,481,314	....	1,481,314	1,213,967	....	1,213,967
Work incentives	38,208	....	38,208	86,461	....	86,461	58,249	....	58,249
Special assistance to refugees from Cambodia, Vietnam and Cuba in the United States	11,269	....	11,269	35,273	....	35,273	18,614	....	18,614
Other	3,826	....	3,826	12,100	....	12,100	13,150	....	13,150
Total--Social and Rehabilitation Service	1,554,755	....	1,554,755	4,532,974	....	4,532,974	3,864,065	....	3,864,065
Social Security Administration:									
Intragovernmental funds	-4	....	-4	995	....	995	-132	....	-132
Payments to social security trust funds:									
Health care services	99,743	....	99,743	878,711	....	878,711	617,608	....	617,608
Special benefits for disabled coal miners	79,477	....	79,477	240,454	....	240,454	243,683	....	243,683
Supplemental security income program	396,490	....	396,490	1,289,603	....	1,289,603	1,253,964	....	1,253,964
Federal old-age and survivors insurance trust fund:									
Benefit payments	5,647,825	....	5,647,825	16,874,378	....	16,874,378	15,192,384	....	15,192,384
Administrative expenses and construction	82,665	....	82,665	233,707	....	233,707	253,070	....	253,070
Vocational rehabilitation services	1,714	....	1,714	1,714	....	1,714	-14,807	....	-14,807
Total--FOASI trust fund	5,732,204	....	5,732,204	17,109,799	....	17,109,799	15,430,646	....	15,430,646
Federal disability insurance trust fund:									
Benefit payments	858,897	....	858,897	2,554,992	....	2,554,992	2,374,427	....	2,374,427
Administrative expenses and construction	23,967	....	23,967	70,753	....	70,753	68,700	....	68,700
Vocational rehabilitation services	16,396	....	16,396	27,293	....	27,293	-157,368	....	-157,368
Total--FDI trust fund	899,260	....	899,260	2,653,039	....	2,653,039	2,285,758	....	2,285,758

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

Classification of OUTLAYS--Continued	This Month			Transition Quarter to Date			Comparable Prior Quarter		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Department of Health, Education, and Welfare--Continued									
Social Security Administration--Continued									
Federal hospital insurance trust fund:									
Benefit payments	$1,131,559	...	$1,131,559	$3,315,251	...	$3,315,251	$2,817,052	...	$2,817,052
Administrative expenses and construction	31,607	...	31,607	88,408	...	88,408	76,227	...	76,227
Total--FHI trust fund	1,163,165	...	1,163,165	3,403,659	...	3,403,659	2,893,279	...	2,893,279
Federal supplementary medical ins. trust fund:									
Benefit payments	430,674	...	430,674	1,269,038	...	1,269,038	1,061,935	...	1,061,935
Administrative expenses and construction	43,143	...	43,143	132,077	...	132,077	119,851	...	119,851
Total--FSMI trust fund	473,817	...	473,817	1,401,115	...	1,401,115	1,181,787	...	1,181,787
Total--Social Security Administration	8,844,152	...	8,844,152	26,977,374	...	26,977,374	23,906,593	...	23,906,593
Special institutions:									
American Printing House for the Blind	201	...	201	602	...	602	602	...	602
National Technical Institute for the Deaf	1,020	...	1,020	2,667	...	2,667	3,669	...	3,669
Gallaudet College	7,231	...	7,231	10,065	...	10,065	5,489	...	5,489
Howard University	4,978	...	4,978	18,128	...	18,128	16,925	...	16,925
Total--Special institutions	13,429	...	13,429	31,462	...	31,462	26,685	...	26,685
Assistant Secretary for Human Development:									
Human development	180,127	...	180,127	447,076	...	447,076	409,169	...	409,169
Research and training activities overseas	173	...	173	542	...	542	-5,231	...	-5,231
Departmental management:[1]									
Intragovernmental funds	2,107	...	2,107	2,477	...	2,477	9,023	...	9,023
Office for Civil Rights	1,567	...	1,567	5,515	...	5,515	5,740	...	5,740
General Departmental management	4,409	...	4,409	24,450	...	24,450	27,718	...	27,718
Other	1,376	...	1,376	3,687	...	3,687	389	...	389
Proprietary receipts from the public	...	$1,834	-1,834	...	$4,647	-4,647	...	-$27,043	27,043
Intrabudgetary transactions:									
Payments for health insurance for the aged:									
Federal hospital insurance trust fund	...	...	...	...	...	...	...	...	...
Federal supplementary medical ins. trust fund	-99,743	...	-99,743	-878,000	...	-878,000	-617,608	...	-617,608
Payments for military service credits and special benefits for the aged:									
Federal old-age and survivors ins. trust fund	...	...	...	...	...	...	...	...	...
Federal disability insurance trust fund	...	...	...	...	...	...	...	...	...
Federal hospital insurance trust fund	...	...	...	...	...	...	...	...	...
Receipts transferred to railroad retirement account	...	...	...	...	...	...	...	...	...
Interest on reimbursement of administrative and vocational rehabilitation expenses:									
Federal old-age and survivors ins. trust fund	...	...	...	...	...	...	...	...	...
Federal disability insurance trust fund	...	...	...	...	...	...	...	...	...
Federal hospital insurance trust fund	...	...	...	...	...	...	...	...	...
Federal supplementary medical ins. trust fund	...	...	...	...	...	...	...	...	...
Other	-37,875	...	-37,875	-37,875	...	-37,875	-2,178	...	-2,178
Total--Department of Health, Education, and Welfare	11,794,373	6,324	11,788,049	34,373,226	32,481	34,340,745	30,713,496	371	30,713,125

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

Classification of OUTLAYS--Continued	This Month			Transition Quarter to Date			Comparable Prior Quarter		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Department of Housing and Urban Development:									
Housing programs:									
Public enterprise funds:									
Federal Housing Administration fund	$127,371	$118,437	$8,935	$440,316	$400,989	$39,326	$658,450	$357,791	$300,659
College housing-loans and other expenses	4,744	7,603	-2,859	43,413	21,262	22,151	48,029	26,933	21,095
Low-rent public housing-loans and other expenses	16,106	16,998	-892	51,113	40,069	11,045	102,190	44,449	57,741
Revolving fund (liquidating programs)	9,018	2,606	6,413	27,826	9,404	18,422	50,544	8,679	41,865
Other	129	2,150	-2,021	263	5,651	-5,389	127	3,589	-3,462
Intragovernmental funds	446	...	446	7,840	...	7,840	-6,461	...	-6,461
Housing payments:									
College housing grants	1,161	...	1,161	2,654	...	2,654	3,059	...	3,059
Low-rent public housing	85,731	...	85,731	280,372	...	280,372	373,445	...	373,445
Homeownership assistance	17,187	...	17,187	39,695	...	39,695	44,848	...	44,848
Rental housing assistance	59,070	...	59,070	142,475	...	142,475	94,035	...	94,035
Rent supplement program	17,763	...	17,763	53,349	...	53,349	48,792	...	48,792
Payments for operation of low-income housing projects	42,241	...	42,241	127,586	...	127,586	...	...	...
Other	955	...	955	955	...	955	8	...	8
Total--Housing programs	381,921	147,794	234,128	1,217,856	477,376	740,481	1,417,067	441,442	975,625
Government National Mortgage Association:									
Public enterprise funds:									
Special assistance functions fund	168,089	272,963	-104,875	1,318,749	1,550,966	-232,217	2,015,019	898,672	1,116,347
Management and liquidating functions fund	4,803	9,792	-4,989	17,292	24,653	-7,361	14,981	21,167	-6,186
Guarantees of mortgage-backed securities	351	1,904	-1,553	1,115	5,935	-4,820	3,158	6,229	-3,071
Participation sales fund	-5,839	...	-5,839	10,086	...	10,086	15,980	...	15,980
Total--Government National Mortgage Association	167,404	284,659	-117,256	1,347,242	1,581,554	-234,312	2,049,138	926,069	1,123,069
Community planning and development:									
Public enterprise funds:									
Rehabilitation loan fund	12,434	2,254	10,180	25,679	6,538	19,141	16,948	5,344	11,605
Urban renewal fund	107,688	23,162	84,526	403,454	88,764	314,690	445,024	62,560	382,464
Community development grants	160,982	...	160,982	438,994	...	438,994	119,961	...	119,961
Comprehensive planning grants	6,329	...	6,329	19,651	...	19,651	20,272	...	20,272
Other	2,618	...	2,618	8,930	...	8,930	50,204	...	50,204
Total--Community planning and development	290,051	25,417	264,635	896,709	95,302	801,407	652,410	67,903	584,506
New Communities Administration	3,983	...	3,983	25,936	4,807	21,129	5,510	1,253	4,256
Federal Insurance Administration	8,628	435	8,193	25,377	4,059	21,318	16,767	3,233	13,533
Policy development and research	4,476	...	4,476	11,621	...	11,621	13,051	...	13,051
Departmental management:									
Intragovernmental funds	980	...	980	422	...	422	-95	...	-95
Salaries and expenses	7,191	...	7,191	35,121	...	35,121	72,074	...	72,074
Other	...	...	...	692	...	692	-38	...	-38
Other	-67	...	-67	-33	...	-33	...	...	...
Proprietary receipts from the public	...	44	-44	...	756	-756	...	278	-278
Total--Department of Housing and Urban Development	864,567	458,349	406,218	3,560,943	2,163,854	1,397,090	4,225,883	1,440,179	2,785,704

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

Classification of OUTLAYS--Continued	This Month			Transition Quarter to Date			Comparable Prior Quarter		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Department of the Interior:									
Land and Water Resources:									
Bureau of Land Management:									
Management of lands and resources	$16,256	....	$16,256	$53,149	....	$53,149	$46,974	....	$46,974
Payments to counties, Oregon and California grant lands	....	....	....	59,121	....	59,121	49,348	....	49,348
Payments to states from receipts under Mineral Leasing Act	1,007	....	1,007	78,176	....	78,176	74,033	....	74,033
Other	4,191	....	4,191	18,588	....	18,588	19,232	....	19,232
Bureau of Reclamation:									
Colorado River and Fort Peck projects	14,644	$6,598	8,046	38,046	$20,498	17,547	36,441	$21,952	14,489
Construction and rehabilitation	52,895	....	52,895	119,695	....	119,695	79,554	....	79,554
Operation and maintenance	9,969	....	9,969	28,696	....	28,696	25,872	....	25,872
Other	12,663	....	12,663	38,374	....	38,374	17,351	....	17,351
Office of Water Research and Technology	5,646	....	5,646	6,478	....	6,478	4,406	....	4,406
Total--Land and Water Resources	117,272	6,598	110,674	440,323	20,498	419,824	353,211	21,952	331,258
Fish and Wildlife and Parks:									
Bureau of Outdoor Recreation	41,964	....	41,964	87,172	....	87,172	60,835	....	60,835
United States Fish and Wildlife Service:									
Resource management	10,885	....	10,885	29,761	....	29,761	29,310	....	29,310
Recreational resources	3,224	....	3,224	16,120	....	16,120	8,589	....	8,589
Other	2,316	....	2,316	9,759	....	9,759	4,749	....	4,749
National Park Service:									
Operation of the national park system	25,727	....	25,727	78,713	....	78,713	74,634	....	74,634
Planning and construction	4,171	....	4,171	12,964	....	12,964	22,708	....	22,708
Other	6,800	....	6,800	20,618	....	20,618	16,320	....	16,320
Total--Fish and Wildlife and Parks	95,088	....	95,088	255,108	....	255,108	217,144	....	217,144
Energy and minerals:									
Geological Survey	21,797	....	21,797	64,019	....	64,019	74,557	....	74,557
Mining Enforcement and Safety Administration	6,861	....	6,861	20,649	....	20,649	18,404	....	18,404
Bureau of Mines:									
Helium fund	583	693	-110	1,886	2,134	-248	1,711	2,263	-552
Other	12,207	....	12,207	31,637	....	31,637	25,720	....	25,720
Bonneville Power Administration	24,894	23,678	1,216	59,390	95,086	-35,696	50,762	55,082	-4,320
Other Power Administrations	1,098	....	1,098	2,359	....	2,359	1,852	....	1,852
Total--Energy and minerals	67,440	24,371	43,069	179,940	97,220	82,720	173,008	57,345	115,662
Bureau of Indian Affairs:									
Public enterprise funds	704	214	491	2,838	911	1,928	1,267	516	751
Operation of Indian programs	52,067	....	52,067	139,889	....	139,889	139,516	....	139,516
Indian tribal funds	56,618	....	56,618	104,862	....	104,862	47,205	....	47,205
Other	-9,671	....	-9,671	70,655	....	70,655	119,070	....	119,070
Total--Bureau of Indian Affairs	99,718	214	99,504	318,244	911	317,334	307,058	516	306,542
Office of Territorial Affairs	19,611	....	19,611	48,560	....	48,560	21,300	....	21,300
Office of the Solicitor and Office of the Secretary	682	....	682	11,976	....	11,976	21,383	....	21,383
Proprietary receipts from the public	....	113,571	-113,571	....	347,905	-347,905	....	228,464	-228,464
Intrabudgetary transactions	42	....	42	....	....	....	-9,386	....	-9,386
Total--Department of the Interior	399,854	144,754	255,100	1,254,151	466,534	787,617	1,083,718	308,278	775,441

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

Classification of OUTLAYS--Continued	This Month			Transition Quarter to Date			Comparable Prior Quarter		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Department of Justice:									
General administration	$2,279	....	$2,279	$5,265	....	$5,265	$3,728	....	$3,728
Legal activities	18,880	....	18,880	66,007	....	66,007	62,122	....	62,122
Federal Bureau of Investigation	37,717	....	37,717	130,177	....	130,177	117,189	....	117,189
Immigration and Naturalization Service	16,606	....	16,606	58,920	....	58,920	50,988	....	50,988
Federal Prison System:									
Federal Prison Industries, Inc.	-595	....	-595	-4,130	....	-4,130	-1,225	....	-1,225
Federal prisons commissary funds	809	$764	45	2,407	$2,356	51	1,889	$1,916	-28
Other	20,001	....	20,001	68,418	....	68,418	60,042	....	60,042
Law Enforcement Assistance Administration	77,231	....	77,231	213,082	....	213,082	236,322	....	236,322
Drug Enforcement Administration	11,903	....	11,903	43,927	....	43,927	38,610	....	38,610
Proprietary receipts from the public	....	2,671	-2,671	....	31,082	-31,082	....	1,154	-1,154
Total--Department of Justice	184,831	3,435	181,395	584,072	33,438	550,633	569,665	3,071	566,594
Department of Labor:									
Employment and Training Administration:									
Program administration, and other	10,972	....	10,972	20,948	....	20,948	32,808	....	32,808
Employment and training assistance	177,702	....	177,702	1,058,452	....	1,058,452	1,122,073	....	1,122,073
Temporary employment assistance	230,709	....	230,709	519,058	....	519,058	256,079	....	256,079
Emergency employment assistance	-449	....	-449	-404	....	-404	-1,678	....	-1,678
Federal unemployment benefits and allowances	84,076	....	84,076	139,928	....	139,928	504,718	....	504,718
Grants to States for unemployment insurance and employment services	4,705	....	4,705	-26,302	....	-26,302	59,282	....	59,282
Advances to the unemployment trust fund and other funds	314,643	....	314,643	1,110,768	....	1,110,768	2,044,471	....	2,044,471
Unemployment trust fund:									
Federal--State unemployment insurance:									
State unemployment benefits	931,618	....	931,618	3,105,643	....	3,105,643	4,227,009	....	4,227,009
Grants to States for unemployment insurance and employment services	110,444	....	110,444	379,812	....	379,812	262,817	....	262,817
Federal administrative expenses	2,626	....	2,626	9,000	....	9,000	10,157	....	10,157
Railroad unemployment insurance:									
Interest on refunds of taxes	302	....	302	462	....	462	291	....	291
Railroad unemployment benefits	15,735	....	15,735	46,619	....	46,619	35,088	....	35,088
Administrative expenses	803	....	803	2,093	....	2,093	1,993	....	1,993
Payments of interest on advances from railroad retirement account	215	....	215	215	....	215	....	....	....
Total--Unemployment trust fund	1,061,743	....	1,061,743	3,543,844	....	3,543,844	4,537,355	....	4,537,355
Total--Employment and Training Administration	1,884,101	....	1,884,101	6,366,292	....	6,366,292	8,555,107	....	8,555,107
Labor-Management Services Administration	2,946	....	2,946	10,297	....	10,297	8,560	....	8,560
Employment Standards Administration:									
Salaries and expenses	6,696	....	6,696	20,673	....	20,673	18,475	....	18,475
Special benefits	40,974	....	40,974	70,609	....	70,609	24,239	....	24,239
Special workers' compensation expenses	268	....	268	1,101	....	1,101	1,433	....	1,433
Occupational Safety and Health Administration	11,837	....	11,837	30,730	....	30,730	20,696	....	20,696
Bureau of Labor Statistics	5,406	....	5,406	16,753	....	16,753	15,065	....	15,065
Departmental management	4,718	....	4,718	14,232	....	14,232	-1,770	....	-1,770
Proprietary receipts from the public	....	200	-200	....	340	-340	....	117	-117
Intrabudgetary transactions	-175,000	....	-175,000	-625,000	....	-625,000	-2,043,000	....	-2,043,000
Total--Department of Labor	1,781,946	200	1,781,746	5,905,687	340	5,905,346	6,598,806	117	6,598,689

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

Classification of OUTLAYS--Continued	This Month			Transition Quarter to Date			Comparable Prior Quarter		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Department of State:									
Administration of foreign affairs:									
Intragovernmental funds	-$794	....	-$794	-$19	....	-$19	$1,647	....	$1,647
Salaries and expenses	5,379	....	5,379	78,731	....	78,731	84,893	....	84,893
Acquisition, operation and maintenance of buildings abroad	6,911	....	6,911	3,002	....	3,002	255	....	255
Payment to Foreign Service retirement and disability fund	....	....	....	1,590	....	1,590	....	....	....
Foreign Service retirement and disability fund	5,941	....	5,941	18,234	....	18,234	15,336	....	15,336
Other	292	....	292	1,287	....	1,287	714	....	714
Total--Administration of foreign affairs	17,730	....	17,730	102,825	....	102,825	102,845	....	102,845
International organizations and conferences	3,878	....	3,878	174,079	....	174,079	99,617	....	99,617
International commissions	1,436	....	1,436	5,638	....	5,638	4,731	....	4,731
Educational exchange	5,064	....	5,064	21,321	....	21,321	15,844	....	15,844
Other:									
Assistance to refugees from the Soviet Union	74	....	74	4,795	....	4,795	2,043	....	2,043
Special assistance to refugees from Cambodia and Vietnam	4,772	....	4,772	17,484	....	17,484	83,824	....	83,824
Other	566	....	566	4,207	....	4,207	3,283	....	3,283
Proprietary receipts from the public	....	-$692	692	....	$11,731	-11,731	....	$17,156	-17,156
Intrabudgetary transactions:									
Foreign Service retirement and disability fund:									
Receipts transferred to Civil Service retirement and disability fund	....	....	....	-49	....	-49	-147	....	-147
General fund contributions	....	....	....	-2,170	....	-2,170	....	....	....
Other	-255	....	-255	-255	....	-255	-86	....	-86
Total--Department of State	33,265	-692	33,956	327,875	11,731	316,144	311,953	17,156	294,797
Department of Transportation:									
Office of the Secretary	8,391	....	8,391	25,040	....	25,040	11,380	....	11,380
Coast Guard:									
Trust revolving fund	461	844	-383	1,213	1,725	-512	1,412	1,493	-81
Intragovernmental funds	2,483	....	2,483	1,881	....	1,881	4,577	....	4,577
Operating expenses	66,128	....	66,128	195,119	....	195,119	168,718	....	168,718
Acquisition, construction, and improvements	12,161	....	12,161	33,259	....	33,259	23,653	....	23,653
Retired pay	10,942	....	10,942	32,612	....	32,612	28,118	....	28,118
Other	8,847	....	8,847	25,221	....	25,221	16,362	....	16,362
Total--Coast Guard	101,022	844	100,178	289,305	1,725	287,580	242,839	1,493	241,346
Federal Aviation Administration:									
Aviation war risk insurance revolving fund	-181	1	-182	-301	1	-302	134	21	113
Operations	124,484	....	124,484	381,679	....	381,679	354,983	....	354,983
Other	3,088	....	3,088	8,344	....	8,344	8,571	....	8,571
Airport and airway trust fund:									
Grants-in-aid for airports	7,334	....	7,334	25,503	....	25,503	95,854	....	95,854
Facilities and equipment	16,355	....	16,355	48,364	....	48,364	45,298	....	45,298
Research, engineering and development	4,898	....	4,898	18,092	....	18,092	19,776	....	19,776
Interest on refunds of taxes	....	....	....	26	....	26	4	....	4
Other	-5	....	-5	16	....	16	390	....	390
Total--Airport and airway trust fund	28,583	....	28,583	92,001	....	92,001	161,323	....	161,323
Total--Federal Aviation Administration	155,974	1	155,973	481,723	1	481,722	525,011	21	524,990

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands) 16

Classification of OUTLAYS--Continued	This Month			Transition Quarter to Date			Comparable Prior Quarter		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Department of Transportation--Continued									
Federal Highway Administration:									
Highway beautification	$4,904	....	$4,904	$13,492	....	$13,492	$8,256	....	$8,256
Other	-466	....	-466	5,860	....	5,860	8,687	....	8,687
Highway trust fund:									
Federal-aid highways	607,529	....	607,529	1,714,388	....	1,714,388	1,763,766	....	1,763,766
Right-of-way revolving fund	2,015	....	2,015	9,220	....	9,220	8,849	....	8,849
Other	5,992	....	5,992	2,852	....	2,852	85	....	85
Total--Federal Highway Administration	619,972	....	619,972	1,745,812	....	1,745,812	1,789,642	....	1,789,642
National Highway Traffic Safety Administration:									
Traffic and highway safety	3,239	....	3,239	9,111	....	9,111	8,763	....	8,763
Trust fund share of highway safety programs	9,600	....	9,600	31,100	....	31,100	22,600	....	22,600
Other	1,096	....	1,096	-2,192	....	-2,192	1,813	....	1,813
Federal Railroad Administration:									
Alaska Railroad revolving fund	5,250	$4,451	798	22,238	$13,878	8,360	17,850	$19,553	-1,702
Railroad research and development	4,017	....	4,017	13,980	....	13,980	12,288	....	12,288
Rail service assistance	2,894	....	2,894	4,669	....	4,669	7,672	....	7,672
Grants to National Railroad Passenger Corporation	14,126	....	14,126	117,348	....	117,348	80,000	....	80,000
Other	1,914	....	1,914	5,189	....	5,189	4,349	....	4,349
Total--Federal Railroad Administration	28,201	4,451	23,750	163,424	13,878	149,546	122,159	19,553	102,607
Urban Mass Transportation Administration	154,467	144	154,323	287,199	206	286,993	203,077	85	202,992
Saint Lawrence Seaway Development Corporation	383	1,654	-1,271	1,576	3,448	-1,872	1,638	2,572	-934
Proprietary receipts from the public	....	3,173	-3,173	....	10,331	-10,331	....	8,135	-8,135
Total--Department of Transportation	1,082,346	10,266	1,072,080	3,032,097	29,590	3,002,507	2,928,923	31,859	2,897,064
Department of the Treasury:									
Office of the Secretary:									
Presidential election campaign fund	10,244	....	10,244	40,201	....	40,201	....	....	....
Other	2,514	....	2,514	8,913	....	8,913	6,917	....	6,917
Bureau of Government Financial Operations:									
Public enterprise funds:									
Check forgery insurance fund	7	....	7	7	....	7	1	....	1
New York City seasonal financing fund	....	....	....	850,000	850,000	....	....	....	....
Salaries and expenses	11,080	....	11,080	33,198	....	33,198	29,296	....	29,296
Special payments to recipients of certain retirement and survivor benefits	-133	....	-133	-937	....	-937	14,092	....	14,092
New York City seasonal financing fund, administrative expenses	409	....	409	575	....	575	....	....	....
Claims, judgments, and relief acts	1,905	....	1,905	11,189	....	11,189	10,751	....	10,751
Interest on uninvested funds	1,567	....	1,567	1,879	....	1,879	1,917	....	1,917
Payment of Government losses in shipment	10	....	10	69	....	69	103	....	103
Other	....	....	....	399	....	399	2	....	2
Total--Bureau of Government Financial Operations	14,845	....	14,845	896,380	850,000	46,380	56,163	....	56,163
Bureau of Alcohol, Tobacco and Firearms	8,694	....	8,694	27,289	....	27,289	22,262	....	22,262
United States Customs Service:									
Salaries and expenses	34,035	....	34,035	82,338	....	82,338	76,095	....	76,095
Other	7,825	....	7,825	45,444	....	45,444	45,853	....	45,853
Bureau of Engraving and Printing	-2,673	....	-2,673	578	....	578	8,771	....	8,771
Bureau of the Mint	5,233	....	5,233	10,049	....	10,049	12,025	....	12,025
Bureau of the Public Debt	7,771	....	7,771	26,387	....	26,387	21,164	....	21,164

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

Classification of OUTLAYS--Continued	This Month			Transition Quarter to Date			Comparable Prior Quarter		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Department of the Treasury--Continued									
Internal Revenue Service:									
Federal tax lien revolving fund	$111	$11	$100	$132	$116	$16	$133	$115	$18
Salaries and expenses	3,497	....	3,497	10,535	....	10,535	10,512	....	10,512
Accounts, collection and taxpayer service	49,925	....	49,925	173,220	....	173,220	166,628	....	166,628
Compliance	60,355	....	60,355	200,264	....	200,264	202,389	....	202,389
Payment where credit exceeds liability for tax	5,191	....	5,191	85,773	....	85,773	....	....	....
Interest on refund of taxes	46,031	....	46,031	102,090	....	102,090	69,978	....	69,978
Internal revenue collections for Puerto Rico	9,974	....	9,974	28,907	....	28,907	30,707	....	30,707
Total--Internal Revenue Service	175,084	11	175,073	600,921	116	600,805	480,346	115	480,232
United States Secret Service	9,363	....	9,363	30,017	....	30,017	21,513	....	21,513
Office of the Comptroller of the Currency	5,976	365	5,612	17,863	39,959	-22,096	17,324	28,622	-11,298
Interest on the public debt:									
Public issues (accrual basis)	2,635,287	....	2,635,287	7,798,145	....	7,798,145	6,737,067	....	6,737,067
Special issues (cash basis)	[3] -1,149,544	....	-1,149,544	303,416	....	303,416	328,569	....	328,569
Total--Interest on the public debt	1,485,743	....	1,485,743	8,101,561	....	8,101,561	7,065,636	....	7,065,636
General revenue sharing	459	....	459	1,587,642	....	1,587,642	1,527,785	....	1,527,785
Proprietary receipts from the public	....	27,741	-27,741	....	99,222	-99,222	....	172,527	-172,527
Receipts from off-budget Federal agencies	....	167,414	-167,414	....	374,601	-374,601	....	147,727	-147,727
Intrabudgetary transactions	-31,720	....	-31,720	-412,594	....	-412,594	-598,120	....	-598,120
Total--Department of the Treasury	1,733,392	195,531	1,537,861	11,062,988	1,363,899	9,699,089	8,763,734	348,991	8,414,743
Energy Research and Development Administration:									
Operating expenses	389,082	....	389,082	864,273	....	864,273	608,695	....	608,695
Plant and capital equipment	92,332	....	92,332	186,909	....	186,909	111,124	....	111,124
Other	97	....	97	127	....	127	11	....	11
Proprietary receipts from the public	....	-8	8	....	99	-99	....	176	-176
Total--Energy Research and Development Administration	481,511	-8	481,520	1,051,310	99	1,051,211	719,830	176	719,655
Environmental Protection Agency:									
Revolving fund for certification and other services	114	76	38	117	142	-25	....	190	-190
Agency and regional management	1,897	....	1,897	16,193	....	16,193	17,085	....	17,085
Energy research and development	5,736	....	5,736	24,749	....	24,749	8,078	....	8,078
Research and development	16,613	....	16,613	43,585	....	43,585	42,631	....	42,631
Abatement and control	28,093	....	28,093	85,291	....	85,291	73,702	....	73,702
Enforcement	4,783	....	4,783	12,820	....	12,820	13,424	....	13,424
Construction grants	271,201	....	271,201	919,463	....	919,463	554,118	....	554,118
Other	2,906	....	2,906	6,320	....	6,320	7,553	....	7,553
Proprietary receipts from the public	....	9	-9	....	35	-35	....	32	-32
Total--Environmental Protection Agency	331,344	85	331,259	1,108,539	177	1,108,362	716,592	222	716,370
General Services Administration:									
Real property activities	36,879	....	36,879	-9,872	....	-9,872	-41,620	....	-41,620
Personal property activities:									
Intragovernmental funds	-9,454	....	-9,454	-6,021	....	-6,021	-47,044	....	-47,044
Federal Supply Service, operating expenses	9,535	....	9,535	40,146	....	40,146	36,590	....	36,590
Records activities	3,960	383	3,578	16,149	1,274	14,875	14,302	1,997	12,305
Automated data and telecommunications activities	13,163	....	13,163	10,696	....	10,696	-3,297	....	-3,297

See footnotes on page 3.

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

Classification of OUTLAYS--Continued	This Month			Transition Quarter to Date			Comparable Prior Quarter		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
General Services Administration--Continued									
Property management and disposal activities	$81	....	$81	$28,007	....	$28,007	-$649	....	-$649
Preparedness activities	1,324	$7	1,317	3,526	$7	3,519	3,065	$7	3,057
General activities	5,760	8	5,752	16,997	203	16,794	15,362	228	15,134
Proprietary receipts from the public:									
Stockpile receipts	....	11,188	-11,188	....	63,451	-63,451	....	33,271	-33,271
Other	....	17,353	-17,353	....	31,142	-31,142	....	10,395	-10,395
Intrabudgetary transactions	-121	....	-121	-349	....	-349	-1,144	....	-1,144
Total--General Services Administration	61,127	28,939	32,188	99,280	96,078	3,202	-24,435	45,898	-70,333
National Aeronautics and Space Administration:									
Research and development	179,378	....	179,378	730,690	....	730,690	769,889	....	769,889
Construction of facilities	6,965	....	6,965	25,785	....	25,785	30,940	....	30,940
Research and program management	63,470	....	63,470	194,953	....	194,953	189,777	....	189,777
Other	70	....	70	1,924	....	1,924	100	....	100
Proprietary receipts from the public	....	107	-107	....	325	-325	....	165	-165
Total--National Aeronautics and Space Administration	249,883	107	249,776	953,351	325	953,026	990,706	165	990,541
Veterans Administration:									
Public enterprise funds:									
Loan guaranty revolving fund	36,209	113,539	-77,330	118,159	150,051	-31,892	120,525	58,483	62,042
Direct loan revolving fund	7,342	15,805	-8,463	27,034	43,291	-16,257	30,816	39,677	-8,861
Veterans reopened insurance fund	1,668	2,375	-708	4,773	7,360	-2,586	4,315	7,535	-3,221
Education loan fund	300	3	297	705	6	700	916	5	911
Other	20,299	20,867	-568	58,502	59,216	-714	63,209	61,197	2,012
Compensation and pensions	694,991	(*)	694,991	2,088,128	(*)	2,088,128	1,935,753	(*)	1,935,752
Readjustment benefits	242,219	....	242,219	782,938	....	782,938	1,136,221	....	1,136,221
Medical care	319,884	....	319,884	953,611	....	953,611	833,367	23	833,344
Medical and prosthetic research	8,318	....	8,318	23,889	....	23,889	21,441	....	21,441
General operating expenses	32,531	....	32,531	111,006	....	111,006	107,112	....	107,112
Construction projects	13,506	....	13,506	42,391	....	42,391	35,381	....	35,381
Insurance funds:									
National service life	35,701	....	35,701	136,240	....	136,240	106,098	....	106,098
Government life	3,743	....	3,743	12,155	....	12,155	13,507	....	13,507
Veterans special life	1,877	3,516	-1,638	6,098	10,952	-4,854	5,229	10,896	-5,667
Other	-973	....	-973	12,876	....	12,876	23,927	....	23,927
Proprietary receipts from the public:									
National service life	....	39,395	-39,395	....	146,847	-146,847	....	111,276	-111,276
Government life	....	469	-469	....	1,402	-1,402	....	2,683	-2,683
Other	....	-685	685	....	1,401	-1,401	....	-395	395
Intrabudgetary transactions:									
Payments to veterans life insurance funds:									
National service life	-160	....	-160	-511	....	-511	-533	....	-533
Government life	-3	....	-3	-10	....	-10	-6	....	-6
Total--Veterans Administration	1,417,452	195,284	1,222,168	4,377,986	420,527	3,957,459	4,437,277	291,381	4,145,896
Independent Agencies:									
Action	20,832	30	20,802	47,958	1[illegible]8	47,840	43,127	-134	43,262
Arms Control and Disarmament Agency	1,405	....	1,405	2,642	....	2,642	1,121	....	1,121
Board for International Broadcasting	4,185	....	4,185	21,265	....	21,265	13,975	....	13,975
Civil Aeronautics Board	7,079	4	7,074	22,208	14	22,193	20,768	15	20,753

See footnotes on page 3.

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

Classification of OUTLAYS--Continued	This Month			Transition Quarter to Date			Comparable Prior Quarter		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Independent Agencies--Continued									
Civil Service Commission:									
Civil Service retirement and disability fund	$765,884	....	$765,884	$2,265,108	....	$2,265,108	$1,949,681	....	$1,949,681
Payment to Civil Service retirement and disability fund	100	....	100	245	....	245	170	....	170
Salaries and expenses	3,275	....	3,275	25,826	....	25,826	31,603	....	31,603
Government payment for annuitants, employees health benefits	64,481	....	64,481	98,844	....	98,844	48,335	....	48,335
Employees health benefits fund	215,850	$222,632	-6,782	626,593	$636,417	-9,823	481,134	$464,775	16,359
Employees life insurance fund	-20,541	-10,597	-9,944	86,568	116,004	-29,437	101,813	189,742	-87,928
Retired employees health benefits fund	1,446	605	841	4,285	2,642	1,642	4,142	2,096	2,047
Other	2,189	....	2,189	2,265	....	2,265	2,030	....	2,030
Proprietary receipts from the public	(*)	2	-2	(*)	4	-4	....	-2	2
Intrabudgetary transactions:									
Civil Service retirement and disability fund:									
Receipts transferred to Foreign Service retirement and disability fund	-371	....	-371	-1,434	....	-1,434	-765	....	-765
General fund contributions	-100	....	-100	-245	....	-245	-170	....	-170
Total--Civil Service Commission	1,032,214	212,642	819,571	3,108,054	755,068	2,352,986	2,617,974	656,610	1,961,364
Commission on Civil Rights	530	....	530	1,873	....	1,873	1,677	....	1,677
Community Services Administration	38,000	5	37,994	123,722	22	123,700	131,949	85	131,865
Consumer Product Safety Commission	2,505	1	2,504	10,191	2	10,189	8,157	5	8,152
Corporation for Public Broadcasting	....	....	....	26,000	....	26,000	16,250	....	16,250
District of Columbia:									
Federal payment	....	....	....	90,396	....	90,396	57,950	....	57,950
Loans and repayable advances	....	....	....	95,000	12,286	82,714	55,700	....	55,700
Emergency Loan Guarantee Board	....	2,531	-2,531	5	3,877	-3,872	133	3,476	-3,343
Equal Employment Opportunity Commission	5,044	(*)	5,044	16,209	5	16,204	13,201	3	13,197
Federal Communications Commission	4,393	2	4,391	12,764	8	12,756	12,996	3	12,993
Federal Deposit Insurance Corporation	245,078	112,498	132,580	418,467	285,187	133,280	164,064	308,099	-144,035
Federal Energy Administration	12,235	2	12,233	38,523	65,116	-26,593	34,715	....	34,715
Federal Home Loan Bank Board:									
Public enterprise funds:									
Federal Home Loan Bank Board revolving fund	4,223	5,419	-1,196	74,695	118,134	-43,439	226,683	66,353	160,330
Federal Savings and Loan Insurance Corp. fund	4,549	17,204	-12,655	17,981	153,197	-135,216	11,100	119,868	-108,768
Interest adjustment payments	260	....	260	488	....	488	681	....	681
Federal Maritime Commission	595	1	594	1,897	4	1,892	1,735	6	1,729
Federal Mediation and Conciliation Service	1,362	(*)	1,362	4,336	(*)	4,335	4,040	(*)	4,040
Federal Power Commission	2,433	1	2,433	8,649	10	8,639	8,238	2	8,235
Federal Trade Commission	3,386	14	3,372	11,140	22	11,117	9,448	8	9,440
Historical and Memorial Commissions	1,773	2,743	-969	13,907	8,068	5,839	6,217	3,322	2,895
Intergovernmental agencies:									
Washington Metropolitan Area Transit Authority	2,391	....	2,391	51,678	....	51,678	91,907	....	91,907
Other	615	138	477	1,425	414	1,011	1,534	386	1,149
International Trade Commission	848	....	848	2,472	....	2,472	2,258	....	2,258
Interstate Commerce Commission	4,031	17	4,014	12,769	187	12,582	12,078	13	12,065
Legal Services Corporation	35,353	....	35,353	51,769	....	51,769	....	....	....
National Credit Union Administration	2,985	1,703	1,282	7,386	3,855	3,532	4,400	3,973	427
National Foundation on the Arts and the Humanities	16,678	(*)	16,678	43,896	(*)	43,895	37,428	1	37,427
National Labor Relations Board	3,796	14	3,782	15,753	36	15,717	16,695	35	16,660
National Science Foundation	83,691	72	83,619	206,810	335	206,475	211,141	21	211,119
Nuclear Regulatory Commission	15,504	10	15,494	45,838	19	45,819	36,185	(*)	36,185
Postal Service	503,612	....	503,612	937,742	....	937,742	1,587,185	....	1,587,185

See footnotes on page 3.

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

Classification of OUTLAYS--Continued	This Month			Transition Quarter to Date			Comparable Prior Quarter		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Independent Agencies--Continued									
Railroad Retirement Board:									
Regional rail transportation protective account	$5,190	....	$5,190	$9,284	....	$9,284	....	....	....
Railroad Retirement Accounts:									
Benefit payments, etc.	304,246	....	304,246	913,267	....	913,267	$851,643	....	$851,643
Administrative expenses	2,918	....	2,918	7,359	....	7,359	5,747	....	5,747
Interest on refunds of taxes	1	....	1	3	....	3	10	....	10
Proprietary receipts from the public	....	(*)	(*)	....	(*)	(*)	....	(*)	(*)
Intrabudgetary transactions:									
Railroad retirement accounts:									
Interest transferred to federal hospital insurance trust fund	6,879	....	6,879	6,879	....	6,879	2,178	....	2,178
Total--Railroad Retirement Board	319,233	(*)	319,233	936,792	(*)	936,792	859,578	(*)	859,578
Securities and Exchange Commission	3,568	$3	3,565	11,574	$6	11,568	12,730	$7	12,723
Selective Service System	706	(*)	706	3,993	(*)	3,993	10,665	(*)	10,664
Small Business Administration:									
Public enterprise funds:									
Business loan and investment fund	50,336	34,388	15,947	157,066	93,612	63,454	284,370	83,027	201,343
Disaster loan fund	15,076	19,349	-4,273	55,231	49,405	5,826	138,528	45,799	92,728
Lease guarantees revolving fund	326	98	228	842	228	614	574	238	336
Surety bond guarantees revolving fund	1,364	698	666	3,819	1,526	2,293	4,419	917	3,503
Salaries and expenses	1,740	....	1,740	5,961	....	5,961	10,272	....	10,272
Proprietary receipts from the public	....	1	-1	....	3	-3	....	6	-6
Intrabudgetary transactions	....	....	....	....	....	....	....	....	....
Total--Small Business Administration	68,842	54,534	14,307	222,918	144,774	78,144	438,164	129,987	308,177
Smithsonian Institution	9,062	2	9,060	30,431	8	30,423	25,493	23	25,470
Temporary study commissions	956	90	866	3,243	90	3,153	4,779	200	4,579
Tennessee Valley Authority:									
Tennessee Valley Authority fund	247,256	194,052	53,204	710,561	478,424	232,137	644,600	389,391	255,210
Proprietary receipts from the public	....	2	-2	....	7	-7	....	6	-6
Total--Tennessee Valley Authority	247,256	194,054	53,202	710,561	478,431	232,130	644,600	389,397	255,203
United States Information Agency:									
Salaries and expenses	31,413	....	31,413	70,176	....	70,176	58,170	....	58,170
Special international exhibitions	1,073	....	1,073	2,063	....	2,063	2,392	....	2,392
Other	137	....	137	680	....	680	365	....	365
Proprietary receipts from the public	....	-243	243	....	-115	115	....	-213	213
Total--U.S. Information Agency	32,623	-243	32,866	72,920	-115	73,035	60,927	-213	61,140
United States Railway Association	400	....	400	3,150	....	3,150	6,250	....	6,250
Water Resources Council	935	101	833	2,589	563	2,026	2,151	374	1,778
Other Independent Agencies	5,070	787	4,282	14,673	1,963	12,710	12,963	1,780	11,183
Total--Independent Agencies	2,750,233	604,381	2,145,852	7,558,749	2,031,703	5,527,046	7,541,012	1,683,705	5,857,306

See footnotes on page 3.

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

Classification of OUTLAYS--Continued	This Month			Transition Quarter to Date			Comparable Prior Quarter		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Undistributed offsetting receipts:									
Federal employer contributions to retirement and social insurance funds:									
Legislative Branch:									
United States Tax Court:									
Tax court judges survivors annuity fund........	....	....	....	-$8	....	-$8	-$8	....	-$8
The Judiciary:									
Judicial survivors annuity fund..................	-$65	....	-$65	-194	....	-194	-64	....	-64
Department of Health, Education, and Welfare:									
Federal old-age and survivors insurance trust fund..	-72,000	....	-72,000	-220,000	....	-220,000	-198,000	....	-198,000
Federal disability insurance trust fund...........	-9,000	....	-9,000	-29,000	....	-29,000	-25,000	....	-25,000
Federal hospital insurance trust fund	-14,000	....	-14,000	-45,000	....	-45,000	-40,000	....	-40,000
Department of State:									
Foreign service retirement and disability fund....	-874	....	-874	-3,539	....	-3,539	-3,553	....	-3,553
Other independent agencies:									
Civil Service Commission:									
Civil service retirement and disability fund	-146,537	....	-146,537	-592,247	....	-592,247	-557,694	....	-557,694
Receipts from off-budget Federal agencies:									
Independent agencies:									
Civil Service Commission:									
Civil Service Retirement and Disability Fund	-47,095	....	-47,095	-95,138	....	-95,138	-100,488	....	-100.488
Subtotal	-289,571	....	-289,571	-985,125	....	-985,125	-924,807	....	-924,807
Interest on certain Government accounts:									
Interest credited to certain Government accounts:									
The Judiciary:									
Judicial survivors annuity fund................	....	....	....	-156	....	-156	-136	....	-136
Department of Defense:									
Civil:									
Soldiers' and Airmen's Home permanent fund.	-1,477	....	-1,477	-1,477	....	-1,477	-1,535	....	-1,535
Department of Health, Education, and Welfare:									
Federal old-age and survivors ins. trust fund ..	-17,006	....	-17,006	-79,678	....	-79,678	-73,088	....	-73,088
Federal disability insurance trust fund	-3,527	....	-3,527	-13,267	....	-13,267	-13,029	....	-13,029
Federal hospital insurance trust fund..........	-1,410	....	-1,410	-4,964	....	-4,964	-4,935	....	-4,935
Federal supplementary medical ins. trust fund .	-2,048	....	-2,048	-4,420	....	-4,420	-3,394	....	-3,394
Department of Labor:									
Unemployment trust fund.....................	-9,581	....	-9,581	-54,647	....	-54,647	-63,831	....	-63,831
Department of State:									
Foreign service retirement and disability fund..	-31	....	-31	-117	....	-117	-174	....	-174
Department of Transportation:									
Airport and airway trust fund.................	-504	....	-504	-937	....	-937	-873	....	-873
Highway trust fund..........................	-5,759	....	-5,759	-13,372	....	-13,372	-11,890	....	-11,890
Veterans Administration:									
Government life insurance fund	-22	....	-22	-42	....	-42	-45	....	-45
National service life insurance fund	....	....	....	-8,113	....	-8,113	-8,113	....	-8,113

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

Classification of OUTLAYS--Continued	This Month			Transition Quarter to Date			Comparable Prior Quarter		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Undistributed offsetting receipts--Continued									
Interest on certain Government accounts--Continued									
Interest credited to certain Government accounts--Continued									
Civil Service Commission:									
Civil service retirement and disability fund	-$3,915	....	-$3,915	-$71,403	....	-$71,403	-$75,935	....	-$75,935
Railroad Retirement Board:									
Railroad retirement accounts	-2,165	....	-2,165	-16,048	....	-16,048	-26,969	....	-26,969
Other	-1,188	....	-1,188	-1,644	....	-1,644	-6,881	....	-6,881
Adjustment of interest on public debt issues to convert to the accrual basis	[3] 1,078,745	....	1,078,745	....	....	....	....	....	....
Subtotal	1,030,113	....	1,030,113	-270,286	....	-270,286	-290,828	....	-290,828
Rents and royalties on the outer continental shelf lands	....	$957,782	-957,782	....	$1,311,119	-1,311,119	....	$304,685	-304,685
Total--Undistributed offsetting receipts	740,542	957,782	-217,240	-1,255,411	1,311,119	-2,566,530	-1,215,635	304,685	-1,520,320
Total outlays	35,009,680	4,013,466	30,996,214	107,538,658	13,065,662	94,472,996	98,863,917	8,058,744	90,805,173
TOTAL BUDGET			(Net Totals)			(Net Totals)			(Net Totals)
Receipts (+)			31,753,393			81,772,766			72,275,235
Outlays (-)			-30,996,214			-94,472,996			-90,805,173
Budget surplus (+) or deficit (-)			+757,179			-12,700,230			-18,529,938

See footnotes on page 3.

MEMORANDUM

Receipts offset against outlays (In thousands)

	Current Transition Quarter	Comparable Prior Quarter
Proprietary receipts	$5,270,786	$2,345,830
Receipts from off-budget Federal agencies	374,601	147,727
Intrabudgetary transactions	6,561,535	10,860,860
Total receipts offset against outlays	12,206,923	13,354,418

TABLE IV--MEANS OF FINANCING (In thousands) 23

Classification (Assets and Liabilities Directly Related to the Budget)	Net Transactions (-) denotes net reduction of either liability or assets accounts: This Month	Transition Quarter to Date	Comparable Prior Quarter	Account Balances Current Transition Quarter: Beginning of This Quarter	Beginning of This Month	Close of This Month
LIABILITY ACCOUNTS						
rowing from the public:						
ublic debt securities, issued under general financing authorities:						
Obligations of the United States, issued by:						
United States Treasury	$1,373,269	$14,268,983	$20,459,065	$620,432,182	$633,327,896	$634,701,165
Federal Financing Bank	....	....	-570	75	75	75
Total public debt securities	1,373,269	14,268,983	20,458,495	620,432,257	633,327,971	634,701,240
gency securities, issued under special financing authorities (See Schedule B. For other agency borrowing, see Schedule C.)	-19,202	194,091	-7,706	10,852,770	11,066,063	11,046,861
Total federal securities	1,354,067	14,463,074	20,450,789	631,285,027	644,394,035	645,748,101
Deduct:						
Federal securities held as investments of government accounts (See Schedule D)	-1,925,222	-3,513,684	-3,001,169	151,565,894	149,977,432	148,052,209
Total borrowing from the public	3,279,289	17,976,759	23,451,958	479,719,133	494,416,603	497,695,892
rued interest payable on public debt securities	-385,465	143,523	2,137,539	4,234,274	4,763,262	4,377,797
Deduct:						
Accrued interest receivable on public debt securities held as investments of government accounts	[3] -1,390,668	-311,922	1,712,458	311,922	1,390,668	....
Total accrued interest payable to the public	1,005,202	455,446	425,081	3,922,351	3,372,595	4,377,797
osit funds:						
locations of special drawing rights	14,494	25,225	-165,495	2,629,119	2,639,851	2,654,344
her	-404,512	9,273	148,583	3,050,678	3,464,463	3,059,951
ellaneous liability accounts (Includes checks standing etc.)	848,644	92,319	-2,173,796	5,644,863	4,888,537	5,737,182
Total liability accounts	4,743,117	18,559,021	21,686,332	494,966,145	508,782,049	513,525,166
ASSET ACCOUNTS (Deduct)						
and monetary assets:						
S. Treasury operating cash	5,705,018	2,579,478	2,940,514	14,834,741	11,709,201	17,414,219
ecial drawing rights:						
Total holdings	31,281	40,734	-116,420	2,315,900	2,325,353	2,356,633
SDR certificates issued to Federal Reserve Banks	-100,000	-100,000	....	-700,000	-700,000	-800,000
Balance	-68,719	-59,266	-116,420	1,615,900	1,625,353	1,556,633
ld tranche drawing rights:						
J.S. subscription to International Monetary Fund:						
Direct quota payments	....	....	....	6,700,000	6,700,000	6,700,000
Maintenance of value adjustments	42,332	73,675	-483,358	978,837	1,010,180	1,052,512
)ther demand liabilities issued to IMF	132,000	725,000	157,352	-4,466,289	-3,873,289	-3,741,289
Receivable/Payable (-) for U.S. currency valuation adjustment	-20,058	-34,773	283,651	22,420	7,705	-12,352
Balance[7]	154,274	763,903	-42,355	3,234,968	3,844,596	3,998,870
er cash and monetary assets	163,090	-385,395	-1,030,498	4,023,558	3,475,074	3,638,164
Total cash and monetary assets	5,953,663	2,898,720	1,751,241	23,709,166	20,654,223	26,607,886
llaneous asset accounts	-484,819	781,347	635,994	2,849,716	4,115,882	3,631,063
Total asset accounts	5,468,843	3,680,067	2,387,235	26,558,882	24,770,106	30,238,949
s of liabilities (+) or assets (-)	-725,726	+14,878,954	+19,299,097	+468,407,262	+484,011,943	+483,286,217
actions not applied to current year's surplus or deficit Schedule A for details)	-31,453	-2,178,725	-769,159	....	-2,147,272	-2,178,725
budget financing [Financing of deficit (+) or sition of surplus (-)]	-757,179	+12,700,230	+18,529,938	+468,407,262	+481,864,671	+481,107,492

otnotes on page 3.

TABLE IV--SCHEDULE A--ANALYSIS OF CHANGE IN EXCESS OF LIABILITIES (In thousands)

Classification	This Month	Transition Quarter to Date	Comparable Prior Quarter
Excess of liabilities beginning of period:			
Based on composition of unified budget in preceding period	$484,011,943	$468,407,262	$395,345,957
Adjustments during current fiscal year for changes in composition of unified budget	....	....	....
Excess of liabilities beginning of period (current basis)	484,011,943	468,407,262	395,345,957
Budget surplus (-) or deficit:			
Based on composition of unified budget in prior fiscal year	-757,179	12,700,230	18,529,938
Changes in composition of unified budget	....	....	....
Budget surplus (-) or deficit (Table III)	-757,179	12,700,230	18,529,938
Transactions not applied to current year's surplus or deficit:			
Seigniorage	-43,072	-98,938	-198,988
Increment on gold	....	....	....
Net gain (-)/loss for U.S. currency valuation adjustment	-22,274	-38,903	129,355
Conversion of interest receipts of government accounts to an accrual basis	[3] 311,922	311,922	....
Off-budget Federal agencies:			
Export-Import Bank of the United States	139,762	222,596	295,119
Pension Benefit Guaranty Corporation	343	-293	-1,415
Postal Service	-556,994	-726,065	-935,403
Rural electrification and telephone revolving fund	-135,278	-80,477	107,394
Rural telephone bank	3,910	16,637	29,436
Housing for the elderly or handicapped fund	-1,283	-2,871	-3,378
Federal Financing Bank	334,417	2,575,115	1,347,038
Total--transactions not applied to current year's surplus or deficit	31,453	2,178,725	769,159
Excess of liabilities close of period	483,286,217	483,286,217	414,645,054

See footnotes on page 3.

TABLE IV--SCHEDULE B--AGENCY SECURITIES, ISSUED UNDER SPECIAL FINANCING AUTHORITIES (In thousands)

Classification	Net Transactions (-) denotes net reduction of liability accounts			Account Balances Current Transition Quarter		
	This Month	Transition Quarter to Date	Comparable Prior Quarter	Beginning of This Quarter	Beginning of This Month	Close of This Month
Agency securities, issued under special financing authorities:						
Obligations of the United States, issued by:						
Export-Import Bank	....	$367,200	....	$2,593,115	$2,960,315	$2,960,315
Obligations guaranteed by the United States, issued by:						
Department of Defense:						
Family Housing Mortgages	-$15,296	-35,128	-$18,581	1,168,914	1,149,082	1,133,786
Department of Housing and Urban Development:						
Federal Housing Administration	-4,014	-2,951	47,121	581,069	582,132	578,118
Department of Transportation:						
Coast Guard:						
Family Housing Mortgages	....	-48	-62	2,090	2,042	2,042
Obligations not guaranteed by the United States, issued by:						
Department of Defense:						
Homeowners Assistance Mortgages	107	18	-1,184	2,582	2,493	2,601
Department of Housing and Urban Development:						
Government National Mortgage Association	....	-35,000	-35,000	4,180,000	4,145,000	4,145,000
Independent agencies:						
Postal Service	....	....	....	250,000	250,000	250,000
Tennessee Valley Authority	....	-100,000	....	2,075,000	1,975,000	1,975,000
Total agency securities	-19,202	194,091	-7,706	10,852,770	11,066,063	11,046,861

TABLE IV--SCHEDULE C (MEMORANDUM)--AGENCY BORROWING FINANCED THROUGH ISSUE OF PUBLIC DEBT SECURITIES (In thousands)

Classification	Transactions: This Month	Transactions: Transition Quarter to Date	Transactions: Comparable Prior Quarter	Account Balances Current Transition Quarter: Beginning of This Quarter	Account Balances Current Transition Quarter: Beginning of This Month	Account Balances Current Transition Quarter: Close of This Month
Borrowing from the Treasury:						
Agency for International Development	....	....	-$5,400	....	....	....
Commodity Credit Corporation	$241,067	$715,946	-2,878,370	$2,840,048	$3,314,926	$3,555,993
Export-Import Bank of the United States	62,200	62,200	-54,084	10,824	10,824	73,024
Federal Financing Bank	832,492	3,471,157	1,772,781	22,413,168	25,051,833	25,884,325
Federal Home Loan Bank Board	....	-43,271	160,706	1,533,954	1,490,683	1,490,683
Federal Housing Administration:						
General insurance	....	120,000	128,000	2,727,268	2,847,268	2,847,268
Special risk insurance	40,000	92,000	108,000	1,939,000	1,991,000	2,031,000
Government National Mortgate Association:						
Emergency Home Purchase Assistance fund	-124,173	-621,836	715,200	1,562,450	1,064,787	940,614
Management and liquidating functions	....	....	....	58,190	58,190	58,190
Special assistance functions	33,370	405,228	412,959	4,503,299	4,875,157	4,908,527
Rural Electrification Administration	-159,565	-102,809	....	7,511,917	7,568,673	7,409,108
Rural Telephone Bank	2,524	9,345	....	191,388	198,209	200,733
Saint Lawrence Seaway Development Corporation	....	....	-800	118,476	118,476	118,476
Secretary of Agriculture, Farmers Home Administration:						
Rural housing insurance fund	75,000	75,000	....	755,718	755,718	830,718
Agricultural credit insurance fund	....	....	....	676,000	676,000	676,000
Rural development insurance fund	....	75,000	....	285,000	360,000	360,000
Secretary of Housing and Urban Development Department:						
College housing loans	....	....	....	2,811,000	2,811,000	2,811,000
National flood insurance fund	....	4,024	6,820	115,819	119,843	119,843
New communities guaranty fund:						
Title IV	340	363	....	1,771	1,794	2,134
Title VII	3,543	20,495	....	6,671	23,623	27,165
Urban renewal fund	....	....	....	800,000	800,000	800,000
Secretary of the Interior:						
Bureau of Mines, helium fund	1,000	1,000	-1,000	250,650	250,650	251,650
Secretary of Transportation:						
Rail Service Assistance	....	....	....	52,479	52,479	52,479
Regional Rail Reorganization	....	....	....	1,522	1,522	1,522
Smithsonian Institution:						
John F. Kennedy Center parking facilities	....	....	....	20,400	20,400	20,400
Tennessee Valley Authority	....	....	....	150,000	150,000	150,000
United States Information Agency	....	....	....	22,114	22,114	22,114
Veterans Administration:						
Veterans direct loan program	....	....	....	1,730,078	1,730,078	1,730,078
D.C. Commissioners: Stadium sinking fund, Armory Board, D.C.	....	-832	....	1,663	832	832
Total Borrowing from the Treasury	*1,007,798*	*4,283,010*	*364,812*	*53,090,867*	*56,366,079*	*57,373,876*
Borrowing from the Federal Financing Bank:						
Postal Service	500,000	500,000	....	2,748,000	2,748,000	3,248,000
Tennessee Valley Authority	175,000	555,000	95,000	2,180,000	2,560,000	2,735,000
Export-Import Bank of the United States	-216,450	-216,450	332,550	4,984,600	4,984,600	4,768,150
Total Borrowing from the Federal Financing Bank	*458,550*	*838,550*	*427,550*	*9,912,600*	*10,292,600*	*10,751,150*
Total Agency Borrowing financed through issues of Public Debt Securities	1,466,348	5,121,560	792,362	63,003,468	66,658,679	68,125,026

Note: Includes only amounts loaned to Federal Agencies in lieu of Agency Debt issuance and excludes Federal Financing Bank purchase of loans made or guaranteed by Federal Agencies. The Federal Financing Bank borrows from Treasury and issues its own securities and in turn may loan these funds to Agencies in lieu of Agencies borrowing directly through Treasury or issuing their own securities.

TABLE IV--SCHEDULE D--INVESTMENTS OF GOVERNMENT ACCOUNTS IN FEDERAL SECURITIES (In thousands)

Classification	Net Purchases or Sales (-)			Securities Held as Investments Current Transition Quarter		
	This Month	Transition Quarter to Date	Comparable Prior Quarter	Beginning of This Quarter	Beginning of This Month	Close of This Month
Federal Funds:						
Department of Agriculture:						
Agency securities	....	....	....	$35,215	$35,215	$35,215
Department of Commerce	$1,475	$4,715	$2,245	101,755	104,995	106,470
Department of Housing and Urban Development:						
Federal Housing Administration:						
Federal housing administration fund:						
Public debt securities	-10,165	27,683	45,510	1,524,203	1,562,051	1,551,886
Agency securities	-1	-3	-2	191,207	191,204	191,203
Government National Mortgage Association:						
Special assistance function fund:						
Agency securities	-917	-2,120	16,653	111,203	110,000	109,083
Management and liquidating functions fund:						
Agency securities	-280	-423	-730	39,879	39,736	39,456
Guarantees Of Mortgage-Backed Securities:						
Public debt securities	2,289	5,800	2,836	33,449	36,960	39,249
Agency securities	-901	-901	233	4,092	4,092	3,191
Participation sales fund:						
Public debt securities	47,297	26,794	45,845	1,578,214	1,557,711	1,605,008
Agency securities	....	....	....	86,745	86,745	86,745
Housing Management:						
Community disposal operations fund:						
Agency securities	....	....	....	388	388	388
Rental housing assistance fund	-50,165	-46,710	4,041	46,710	50,165	....
New Communities Administration:						
New communities fund	....	....	-3,778	....	....	....
Federal Insurance Administration:						
National insurance development fund	....	1,521	11,990	90,176	91,697	91,697
Department of the Interior:						
Bonneville Power Administration	-29,115	5,200	40,335	34,145	68,460	39,345
Department of Transportation	315	315	....	14,100	14,100	14,415
Department of Treasury	7,672	17,766	15,820	1,511,570	1,521,664	1,529,337
Veterans Administration:						
Veterans reopened insurance fund	360	3,512	3,220	350,131	353,283	353,643
Independent agencies:						
Emergency Loan Guarantee Board	1,300	2,650	1,875	23,280	24,630	25,930
Federal Energy Administration	....	-1,712,430	....	1,712,430	....	....
Federal Savings and Loan Insurance Corporation:						
Public debt securities	12,655	135,230	108,778	3,967,607	4,090,182	4,102,837
Agency securities	....	....	....	141,977	141,977	141,977
National Credit Union Administration	-1,040	-2,928	-825	72,653	70,765	69,725
Other	865	6,650	13,510	256,105	261,890	262,755
Total public debt securities	-16,257	-1,524,232	291,402	11,316,528	9,808,553	9,792,296
Total agency securities	-2,100	-3,448	16,154	610,704	609,357	607,257
Total Federal funds	-18,356	-1,527,679	307,556	11,927,232	10,417,909	10,399,553
Trust Funds:						
Legislative Branch:						
United States Tax Court	22	22	....	543	543	565
Library of Congress	-180	....	140	1,340	1,520	1,340
The Judiciary:						
Judicial Survivors Annuity Fund	-1	230	171	10,691	10,922	10,921
Department of Agriculture	-80	-65	50	607	622	542
Department of Commerce	....	....	....	35	35	35
Department of Defense	-591	-166	1	1,274	1,699	1,108
Department of Health, Education, and Welfare:						
Federal old-age and survivors insurance trust fund:						
Public debt securities	-1,010,398	-912,763	-1,043,469	37,412,610	37,510,245	36,499,847
Agency securities	....	....	....	555,000	555,000	555,000
Federal disability insurance trust fund	-71,511	-477,491	-431,545	6,930,738	6,524,758	6,453,247
Federal hospital insurance trust fund:						
Public debt securities	316,149	67,302	264,796	10,892,180	10,643,333	10,959,482
Agency securities	....	....	....	50,000	50,000	50,000
Federal supplementary medical insurance trust fund	-179,562	13,810	-65,146	1,230,135	1,423,507	1,243,945
Other	....	....	-30	187	187	187

TABLE IV--SCHEDULE D--INVESTMENTS OF GOVERNMENT ACCOUNTS IN FEDERAL SECURITIES--Continued (In thousands)

Classification	Net Purchases or Sales (-)			Securities Held as Investments Current Transition Quarter		
	This Month	Transition Quarter to Date	Comparable Prior Quarter	Beginning of This Quarter	Beginning of This Month	Close of This Month
Trust Funds--Continued						
Department of the Interior	-$1,020	$2,780	-$2,145	$11,490	$15,290	$14,270
Department of Labor:						
Unemployment trust fund	-666,587	104,068	-1,588,757	4,810,035	5,580,690	4,914,103
Other	....	-1,301	....	6,673	5,372	5,372
Department of State:						
Foreign service retirement and disability fund	-2,110	-6,244	-11,305	181,852	177,718	175,608
Other	....	....	....	215	215	215
Department of Transportation:						
Airport and airway trust fund	62,876	183,030	136,537	2,529,171	2,649,325	2,712,201
Highway trust fund	7,887	-78,601	-561,257	9,030,477	8,943,989	8,951,876
Other	....	....	....	10	10	10
Department of the Treasury	-5,450	22,200	11,100	26,260	53,910	48,460
General Service Administration	400	458	916	3,527	3,585	3,985
Veterans Administration:						
Government life insurance fund	-2,975	-8,948	-9,952	569,027	563,054	560,079
National service life insurance fund:						
Public debt securities	511	25,259	24,088	6,930,933	6,955,681	6,956,192
Agency securities	....	....	....	310,000	310,000	310,000
Veterans special life insurance fund	1,435	5,881	6,135	476,384	480,830	482,265
General Post Fund National Homes	....	....	....	1,143	1,143	1,143
Independent agencies:						
Civil Service Commission:						
Civil service retirement and disability fund:						
Public debt securities	-318,322	-769,743	-514,411	43,059,637	42,608,216	42,289,894
Agency securities	....	....	....	375,000	375,000	375,000
Employees health benefits fund	-10,550	-14,171	-11,977	336,085	332,464	321,914
Employees life insurance fund	14,836	31,057	89,929	2,100,891	2,117,111	2,131,947
Retired employees health benefits fund	-600	-1,800	....	19,081	17,881	17,281
Federal Deposit Insurance Corporation	-133,030	-127,752	134,691	6,734,835	6,740,113	6,607,083
Japan-United States Friendship Commission	210	210	....	18,675	18,675	18,885
Harry S. Truman Memorial Scholarship Trust Fund	-50	-487	....	10,535	10,098	10,048
Railroad Retirement Board:						
Public debt securities	-328,782	-659,534	-565,396	3,962,655	3,631,903	3,303,121
Agency securities	....	....	....	50,000	50,000	50,000
Total public debt securities	-2,327,473	-2,602,758	-4,136,836	137,299,928	137,024,643	134,697,169
Total agency securities	....	....	....	1,340,000	1,340,000	1,340,000
Total trust funds	-2,327,473	-2,602,758	-4,136,836	138,639,928	138,364,643	136,037,169
Off-budget Federal agencies:						
Export-Import Bank of the United States	....	-9,600	....	9,600	....	....
Federal Financing bank	9,260	27,660	....	96,465	114,865	124,125
Postal Service:						
Public debt securities	411,988	603,213	828,312	827,988	1,019,213	1,431,200
Agency securities	....	-3,975	....	3,975	....	....
Rural electrification and telephone revolving fund	....	-454	-998	4,855	4,401	4,401
Pension Benefit Guaranty Corporation	-640	-90	797	55,851	56,401	55,761
Total public debt securities	420,608	620,729	828,111	994,759	1,194,880	1,615,487
Total agency securities	....	-3,975	....	3,975	....	....
Total Off-budget Federal agencies	420,608	616,754	828,111	998,734	1,194,880	1,615,487
Grand Total	-1,925,222	-3,513,684	-3,001,169	151,565,894	149,977,432	148,052,209
MEMORANDUM						
Investments in securities of privately owned Government-sponsored enterprises:						
Milk market orders assessment fund	....	....	....	200	200	200
Total	....	....	....	200	200	200

Note: Investments are in public debt securities unless otherwise noted.

TABLE V--COMPARATIVE STATEMENT OF BUDGET RECEIPTS AND OUTLAYS BY MONTHS OF TRANSITION QUARTER

(Figures are rounded in millions of dollars and may not add to totals)

Classification	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	Transit. Quarter to Date	Comparable Prior Quarter
RECEIPTS														
Individual income taxes	$11,201	$12,088	$15,513										$38,801	$33,628
Corporation income taxes	1,513	689	6,259										8,460	8,000
Social insurance taxes and contributions:														
Employment taxes and contributions	5,937	9,328	6,538										21,803	19,200
Unemployment insurance	723	1,822	153										2,698	1,775
Contributions for other insurance and retirement	408	464	386										1,258	1,147
Excise taxes	1,510	1,476	1,486										4,473	4,338
Estate and gift taxes	454	547	453										1,455	1,364
Customs	389	394	429										1,212	927
Miscellaneous	524	552	537										1,613	1,897
Total--receipts transition quarter	22,660	27,360	31,753										81,773	
Total--receipts prior quarter	*20,056*	*23,604*	*28,615*											*72,275*
OUTLAYS														
Legislative Branch	67	50	109										225	199
The Judiciary	36	27	23										85	44
Executive Office of the President:	6	5	6										16	18
Funds appropriated to the President:														
International security assistance	402	379	-315										468	434
International development assistance	449	70	93										609	428
Other	36	62	46										144	204
Department of Agriculture:														
Foreign assistance, special export programs and Commodity Credit Corporation	241	312	279										832	466
Other	867	954	1,197										3,018	2,682
Department of Commerce	178	159	197										534	477
Department of Defense:														
Military:														
Department of the Army	1,612	1,597	2,060										5,268	5,362
Department of the Navy	2,408	2,221	2,449										7,078	6,894
Department of Air Force	2,277	2,027	2,288										6,591	6,510
Defense agencies	945	976	1,051										2,971	2,629
Civil defense	5	5	7										18	8
Allowance undistributed	......	......	......										......	....
Total Military	7,246	6,826	7,855										21,926	21,402
Civil	168	209	206										583	568
Department of Health, Education, and Welfare:														
Social and Rehabilitation Service	1,485	1,493	1,555										4,533	3,864
Federal old-age and survivors insurance trust fund	5,676	5,702	5,732										17,110	15,431
Federal disability insurance trust fund	868	886	899										2,653	2,286
Federal hospital insurance trust fund	1,102	1,138	1,163										3,404	2,893
Federal supplementary medical insurance trust fund	447	480	474										1,401	1,182
Other	1,657	1,618	1,965										5,240	5,058

TABLE V--COMPARATIVE STATEMENT OF BUDGET RECEIPTS AND OUTLAYS BY MONTHS OF TRANSITION QUARTER--Continued

(Figures are rounded in millions of dollars and may not add to totals)

Classification	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	Transit. Quarter to Date	Comparable Prior Quarter
OUTLAYS--Continued														
Department of Housing and Urban Development	$1,125	-$134	$406										$1,397	$2,786
Department of the Interior	253	280	255										788	775
Department of Justice	215	154	181										551	567
Department of Labor:														
Unemployment trust fund.....	1,213	1,270	1,062										3,544	4,537
Other	696	945	720										2,362	2,061
Department of State	233	50	34										316	295
Department of Transportation:														
Highway trust fund	482	629	616										1,726	1,773
Other	464	356	457										1,276	1,124
Department of The Treasury:														
Interest on the public debt....	3,754	2,862	[3] 1,486										8,102	7,066
Interest on refunds, etc.	27	29	48										104	72
General revenue sharing.....	1,587	(**)	(**)										1,588	1,528
Other	-272	174	4										-94	-251
Energy Research and Development Administration........	233	336	482										1,051	720
Environmental Protection Agency......................	439	338	331										1,108	716
General Services Administration...............	-130	101	32										3	-70
National Aeronautics and Space Administration.........	344	359	250										953	991
Veterans Administration:														
Compensation and pension....	694	699	695										2,088	1,936
National service life.........	(**)	-7	-4										-11	-6
Government service life	4	4	3										11	11
Other	653	689	528										1,870	2,205
Independent agencies:														
Civil Service Commission....	849	684	820										2,353	1,961
Postal Service	434	....	504										938	1,587
Small Business Administration............	26	37	14										78	308
Tennessee Valley Authority ..	114	65	53										232	255
Other ind. agencies	677	494	755										1,926	1,745
Undistributed offsetting receipts:														
Federal employer contributions to retirement fund.....	-321	-374	-290										-985	-925
Interest credited to certain accounts	-751	-550	1,030										-270	-291
Rents and Royalties on Outer Continental Shelf Lands.....	-64	-289	-958										-1,311	-305
Allowances Undistributed	......	....	....										....	....
Total outlays--transition quarter.................	33,906	29,571	30,996										94,473	
Total Outlays–prior quarter	*31,108*	*30,654*	*29,044*											*90,805*
Surplus (+) or deficit (-) transition quarter.................	-11,247	-2,211	+757										-12,700	
Surplus (+) or deficit (-) prior quarter ..	*-11,052*	*-7,050*	*-429*											*-18,530*

See footnotes on page 3.

30 TABLE VI--TRUST FUND IMPACT ON BUDGET RESULTS AND INVESTMENT HOLDINGS (In millions)

Classification	Current Month			Transition Quarter to Date			Securities Held as Investments Current Transition Quarter		
							Beginning of		Close of this month
	Receipts	Outlays	Excess of receipts or out-lays(-)	Receipts	Outlays	Excess of receipts or out-lays(-)	This Quarter	This month	
Trust receipts, outlays, and investments held:									
Federal old-age and survivors insurance	$4,313	$5,643	-$1,330	$15,886	$16,811	-$924	$37,968	$38,065	$37,055
Federal disability insurance	809	887	-77	2,130	2,611	-481	6,931	6,525	6,453
Federal hospital insurance	1,390	1,146	245	3,459	3,351	107	10,942	10,693	11,009
Federal supplementary medical insurance	177	372	-196	539	519	20	1,230	1,424	1,244
Federal employees retirement	209	573	-364	720	1,517	-797	43,616	43,161	42,841
Federal employees life and health benefits	....	-16	16	....	-38	38	2,456	2,467	2,471
Federal Deposit Insurance Corp.	....	133	-133	....	133	-133	6,735	6,740	6,607
Airport and airway	96	28	68	277	91	186	2,529	2,649	2,712
General Revenue Sharing	....	(**)	-(**)	3,327	1,588	1,740	....	....	....
Highway	560	619	-60	1,676	1,744	-68	9,030	8,944	8,952
Military assistance advances	....	-517	517	....	-726	726	....	....	....
Railroad retirement	25	305	-280	328	905	-576	4,013	3,682	3,353
Unemployment	153	877	-724	2,698	2,864	-166	4,810	5,581	4,914
Veterans life insurance	....	-2	2	....	-13	13	8,286	8,310	8,309
All other trust	3	-109	112	9	-19	28	93	124	117
Trust funds receipts and outlays on the basis of Table III and investments held from Table IV-D	7,735	9,939	-2,204	31,048	31,336	-288	138,639	138,365	136,037
Interfund receipts offset against trust fund outlays	768	768	....	2,782	2,782	....			
Total trust fund receipts and outlays	8,503	10,707	-2,204	33,830	34,118	-288			
Federal fund receipts and outlays on the basis of Table III	24,018	21,057	2,961	54,052	66,464	-12,412			
Interfund receipts offset against Federal fund outlays	11	11	....	33	33	....			
Total Federal fund receipts and outlays	24,029	21,068	2,961	54,085	66,497	-12,412			
Total interfund receipts and outlays	-779	-779	....	-6,142	-6,142	....			
Net budget receipts and outlays	31,753	30,996	757	81,773	94,473	-12,700			

See footnotes on page 3.

Note: Interfund receipts and outlays are transactions between Federal funds and trust funds, such as, Federal payments and contributions, Federal employer contributions, and interest and profits on investments in Federal securities. They have no net effect on overall budget receipts and outlays since the receipt side of such transactions is offset against budget outlays. In this table, interfund receipts are shown as an adjustment to arrive at total receipts and outlays of trust funds and Federal funds respectively. Included in total interfund receipts and outlays are $3,327 million in federal funds transferred to trust funds for general revenue sharing.

TABLE VII--SUMMARY OF RECEIPTS BY SOURCE AND OUTLAYS BY FUNCTION (In thousands) 31

Source	Total Budget		
	This Month	Transition Quarter to Date	Comparable Prior Quarter
NET RECEIPTS			
Individual income taxes	$15,512,762	$38,800,969	$33,627,694
Corporation income taxes	6,258,508	8,460,466	8,000,002
Social insurance taxes and contributions:			
Employment taxes and contributions	6,537,847	21,803,012	19,199,671
Unemployment insurance	152,622	2,697,903	1,775,324
Contributions for other insurance and retirement	386,258	1,258,218	1,146,586
Excise taxes	1,486,343	4,472,698	4,338,051
Estate and gift taxes	453,464	1,454,592	1,363,778
Customs	428,758	1,212,173	927,192
Miscellaneous	536,829	1,612,734	1,896,938
Total	31,753,393	81,772,766	72,275,235
OUTLAYS			
National defense	7,658,718	22,388,851	22,421,382
International affairs	151,977	1,449,751	950,356
General science, space, and technology	308,836	1,128,573	1,202,195
Natural resources, environment, and energy	1,173,304	3,591,726	2,642,381
Agriculture	530,998	760,073	758,858
Commerce and transportation	1,977,211	4,684,861	6,344,692
Community and regional development	524,549	1,505,295	1,362,317
Education, training, employment and social services	1,861,555	4,683,016	4,358,908
Health	2,843,427	8,992,124	7,774,860
Income security	10,955,353	32,838,104	30,650,313
Veterans benefits and services	1,222,964	3,974,959	4,164,476
Law enforcement and justice	300,214	859,667	765,992
General government	311,553	854,162	550,170
Revenue sharing and general purpose fiscal assistance	137,108	2,024,055	1,921,309
Interest	1,255,688	7,304,310	6,457,283
Undistributed offsetting receipts	-217,240	-2,566,530	-1,520,320
Total	30,996,214	94,472,996	90,805,173

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FOR RELEASE WHEN AUTHORIZED AT PRESS CONFERENCE October 27, 1976

TREASURY NOVEMBER QUARTERLY FINANCING

The Treasury will raise about $2,000 million of new cash and refund $3,994 million of securities maturing November 15, 1976, by issuing $3,000 million of 3-year notes, $2,000 million of 7-year notes, and $1,000 million of 23-1/4 year bonds.

The $3,994 million of maturing securities to be refunded in the general offering are those held by private investors. Government accounts and Federal Reserve Banks, for their own accounts, hold $331 million of maturing securities that may be refunded by issuing additonal amounts of new securities. Additional amounts of the notes and the bonds may also be issued, for new cash only, to Federal Reserve Banks as agents for foreign and international monetary authorities.

Details about each of the new securities are given in the attached "highlights" of the offering and in the official offering circulars.

It should be noted that the maximum amount of tenders that will be accepted on a noncompetitive basis for preferred allotment has been increased from $500,000 to $1,000,000.

oOo

Attachment

WS-1144

HIGHLIGHTS OF TREASURY
OFFERINGS TO THE PUBLIC
NOVEMBER 1976 REFUNDING
TO BE ISSUED NOVEMBER 15, 1976

October 27, 1976

Amount Offered:			
To the public	$3,000 million	$2,000 million	$1,000 million
Description of Security:			
Term and type of security	3-year notes	7-year notes	23-1/4-year bonds
Series and CUSIP designation	Series K-1979 (CUSIP No. 912827 GC 0)	Series B-1983 (CUSIP No. 912827 GD 8)	7-7/8% Bonds of 1995-2000 (CUSIP No. 912810 BS 6)
Maturity date	November 15, 1979	November 15, 1983	February 15, 2000
Call date	No provision	No provision	February 15, 1995
Interest coupon rate	To be determined based on the average of accepted bids	To be determined based on the average of accepted bids	7-7/8%
Investment yield	To be determined at auction	To be determined at auction	To be determined at auction
Premium or discount	To be determined after auction	To be determined after auction	To be determined after auction
Interest payment dates	May 15 and November 15	May 15 and November 15	February 15 and August 15
Minimum denomination available	$5,000	$1,000	$1,000
Terms of Sale:			
Method of sale	Yield Auction	Yield Auction	Price Auction
Accrued interest payable by investor	None	None	$19.68750 per $1,000
Preferred allotment	Noncompetitive bid for $1,000,000 or less	Noncompetitive bid for $1,000,000 or less	Noncompetitive bid for $1,000,000 or less
Deposit requirement	5% of face amount	5% of face amount	5% of face amount
Deposit guarantee by designated institutions	Acceptable	Acceptable	Acceptable
Key Dates:			
Deadline for receipt of tenders	Wednesday, November 3, 1976, by 1:30 p.m., EST	Thursday, November 4, 1976, by 1:30 p.m., EST	Friday, November 5, 1976, by 1:30 p.m., EST
Settlement date (final payment due) a) cash or Federal funds	Monday, November 15, 1976	Monday, November 15, 1976	Monday, November 15, 1976
b) check drawn on bank within FRB district where submitted	Wednesday, November 10, 1976	Wednesday, November 10, 1976	Wednesday, November 10, 1976
c) check drawn on bank outside FRB district where submitted	Monday, November 8, 1976	Monday, November 8, 1976	Tuesday, November 9, 1976
Delivery date for coupon securities	Monday, November 15, 1976	Monday, November 15, 1976	Monday, November 15, 1976

10/27/76

1. Today we are announcing the terms of our November 15 quarterly financing in which we will be refunding about $4 billion of maturing privately-held debt and raising approximately $2 billion of our fourth quarter new cash needs.

2. There is only one maturing issue -- a 6-1/4% note that was originally sold on September 8, 1971, in the amount of $1.3 billion, and then reopened in the amount of $3 billion as part of the November 15, 1972 financing package. On both occasions, the sale was an auction.

The total outstanding is $4,325 million, with Government accounts and the Federal Reserve holding some $339 million of the total, according to our latest figures.

3. The new issues we are offering for settlement on November 15 include a three-year note, a seven-year note, and a long bond in the 25-year maturity range. Specifically, the issues include:

a. A 3-year note, due November 15, 1979, in the amount of $3 billion. This issue will be auctioned on a yield basis on Wendesday, November 3.

b. The 7-year issue is another note, due November 15, 1983, in the amount of $2 billion, with the auction on Thursday, November 4.

c. The long bond will be a reopening of the 7-7/8% bond of February 15, 1995 - 2000. There is between $1.3 and $1.4 billion of this bond now privately-held. It was originally sold on February 18, 1975, and was reopened in our May 17 financing this year. It has been trading around 101+ on the bid side.

4. I would like to point out specifically that we have raised the noncompetitive maximum for all three issues from the $500,000 figure customary in the past to $1 million. We believe that the opportunity to tender a noncompetitive basis for amounts up to $1 million will be attractive to smaller institutions which have not been able to satisfy their investment needs at the lower level but have been unwilling to bid competitively because they lack close contact with the market.

5. I would like to turn now to our cash needs for the fourth quarter as we now see them.

As you know, we closed the books on September 30 with a cash balance of $17.4 billion. We would like to aim for an end-of-December balance of approximately $10 billion, which means about $7-1/2 billion of our fourth quarter needs can be met simply by drawing down our cash balance.

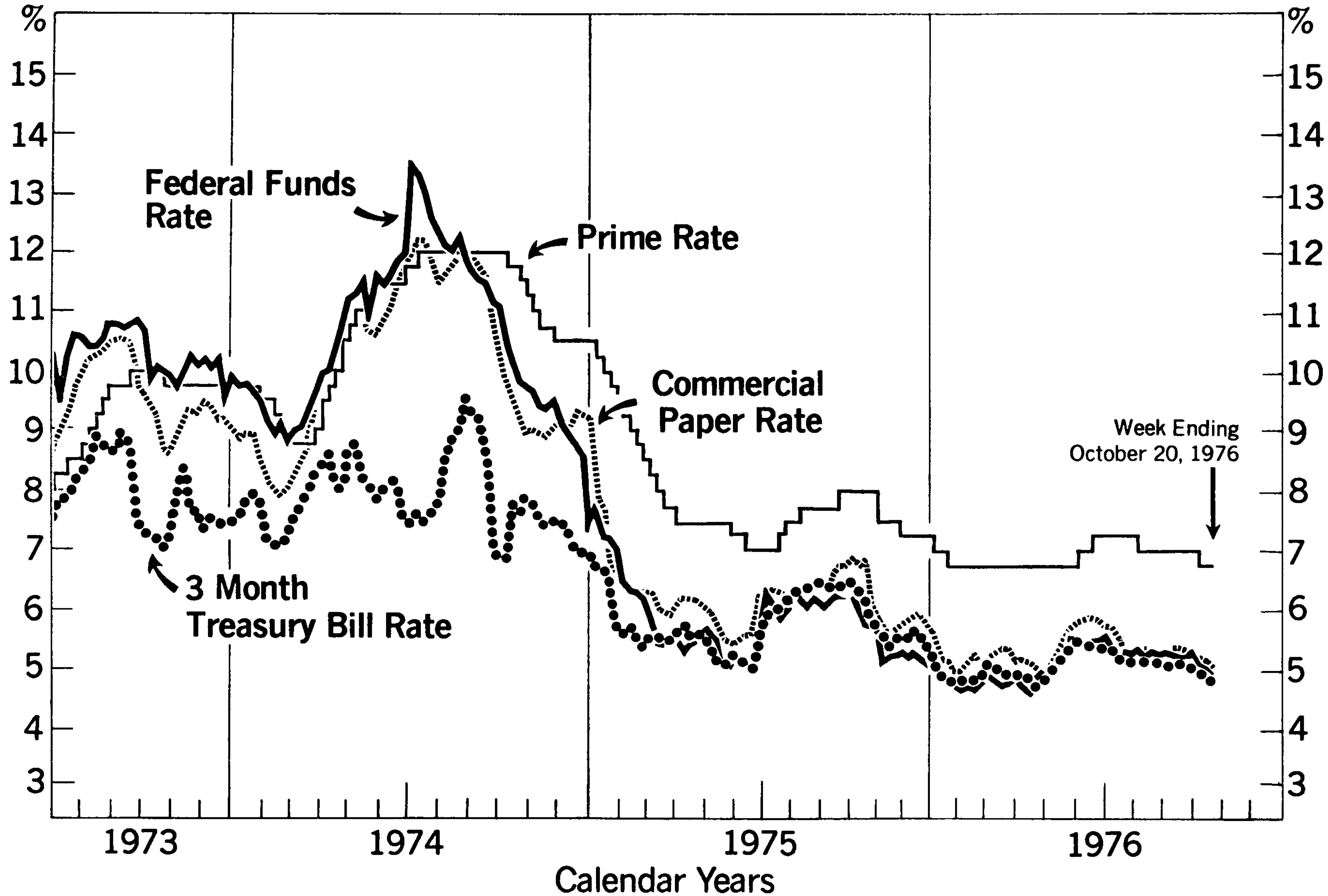
We also see a need for a total of about $ 19-21 billion of other financing; this is for the whole October 1 - December 31 period.

A little over $3 billion of that will be covered by nonmarketable securities, savings bonds mainly, but also including some foreign nonmarketables. Some $600 million were put on early this month. This would leave a balance of / $15-17 billion to be done in the market. We have already done $2.5 billion in a five-year note, $1.3 billion in a 2-year note, and will be doing $2 billion, leaving a further $9-11 billion yet to be done.

I think there should be no difficulty handling this with the tools we have at hand. There are 2-year notes at the end of November and December and we would expect to sell a 4-year note early in December. We also have a number of possibilities in the bill market, including cash management bills that could be timed to mature in January, when we presumably will be doing another 2-year note in a slot that is now empty, or in April or June when we have heavy tax receipts. We could also add to the 52-week bill cycle, and to the regular weekly bills. I might note that we have two small weekly bill maturities in December, so that one possibility would be to enlarge them to bring them into line with other outstanding weekly bill maturities.

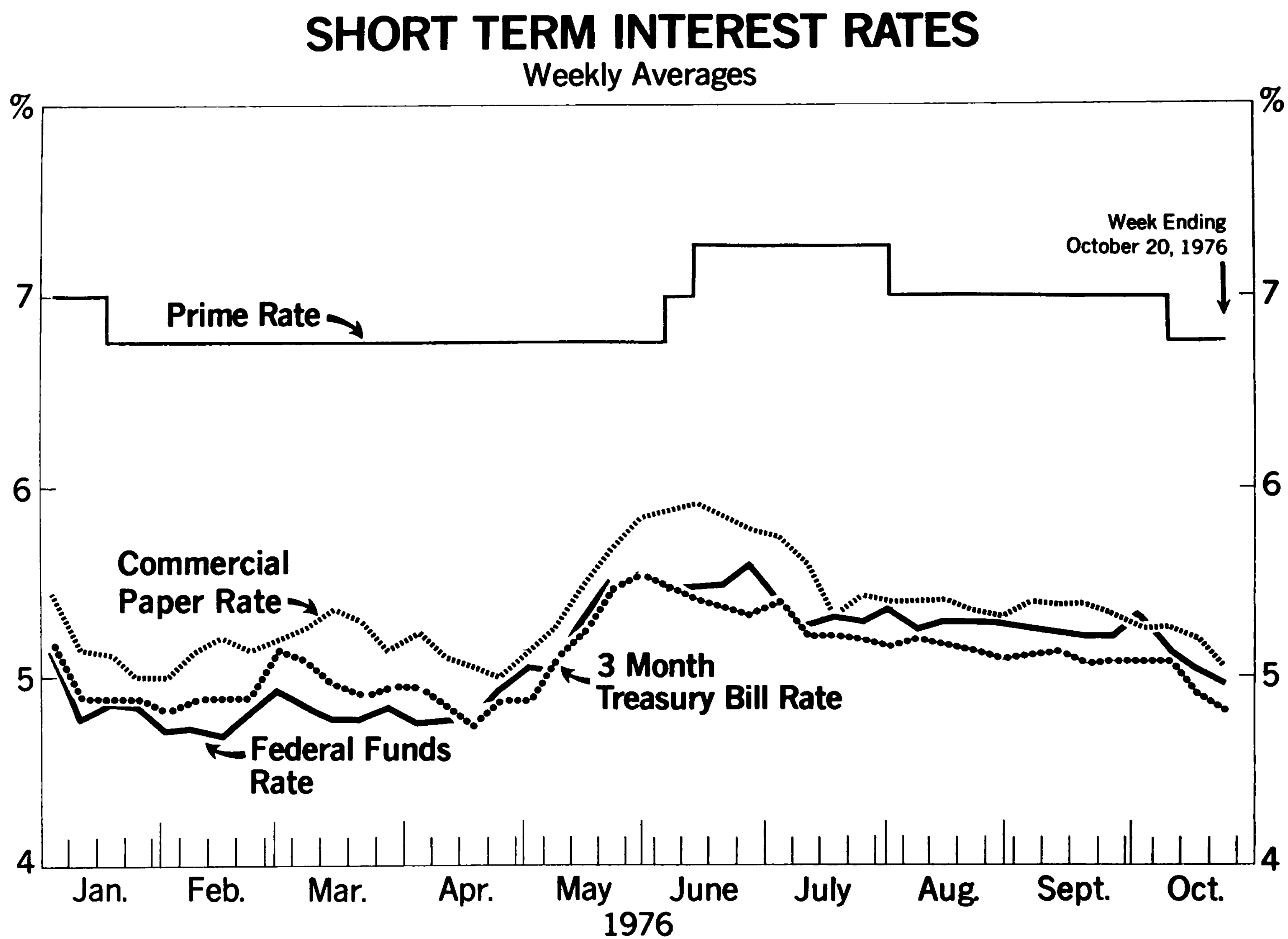
SHORT TERM INTEREST RATES

Weekly Averages



Office of the Secretary of the Treasury
Office of Government Financing

October 26, 1976-12

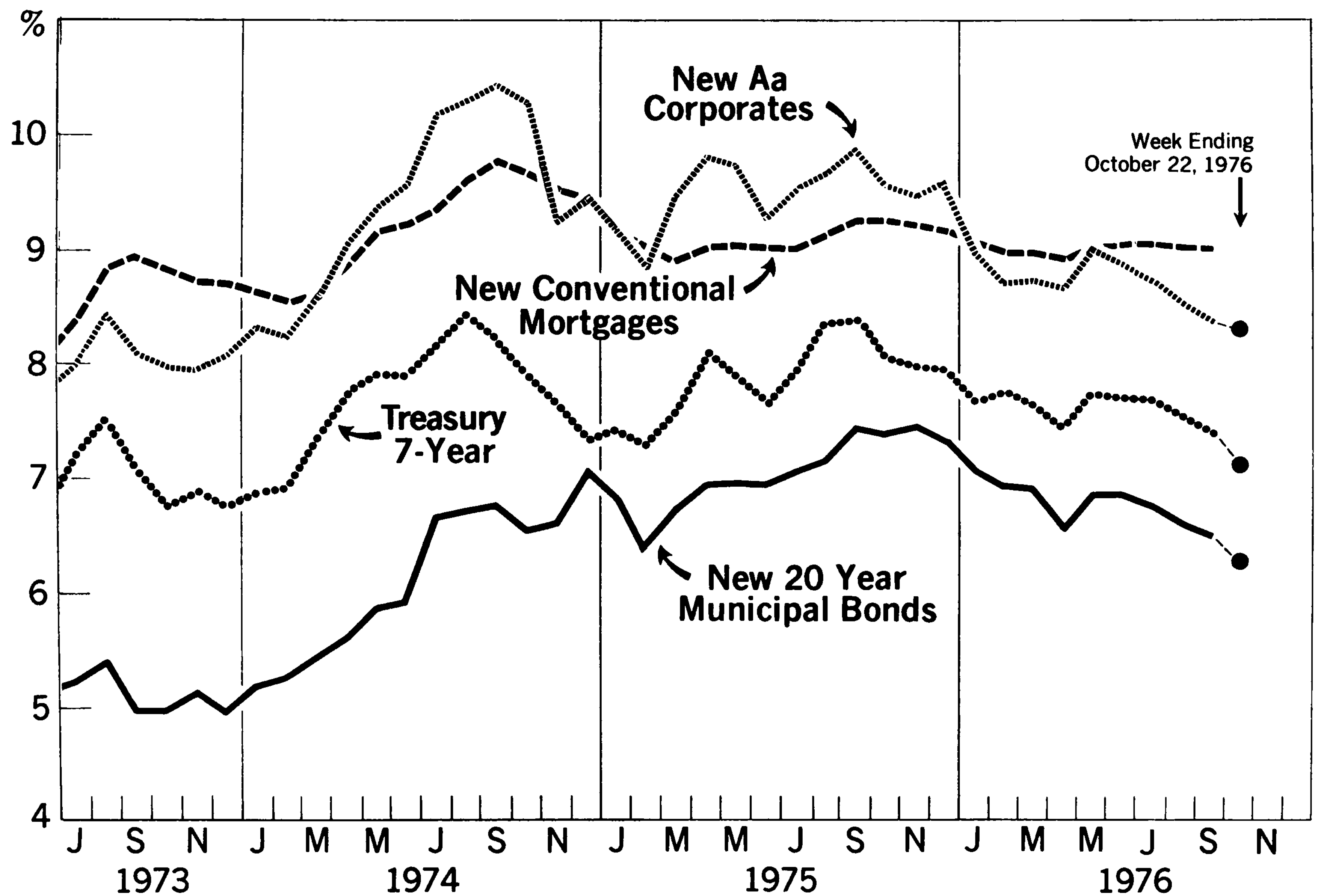


Office of the Secretary of the Treasury
Office of Government Financing

October 26, 1976-11

INTERMEDIATE AND LONG MARKET RATES

Monthly Averages

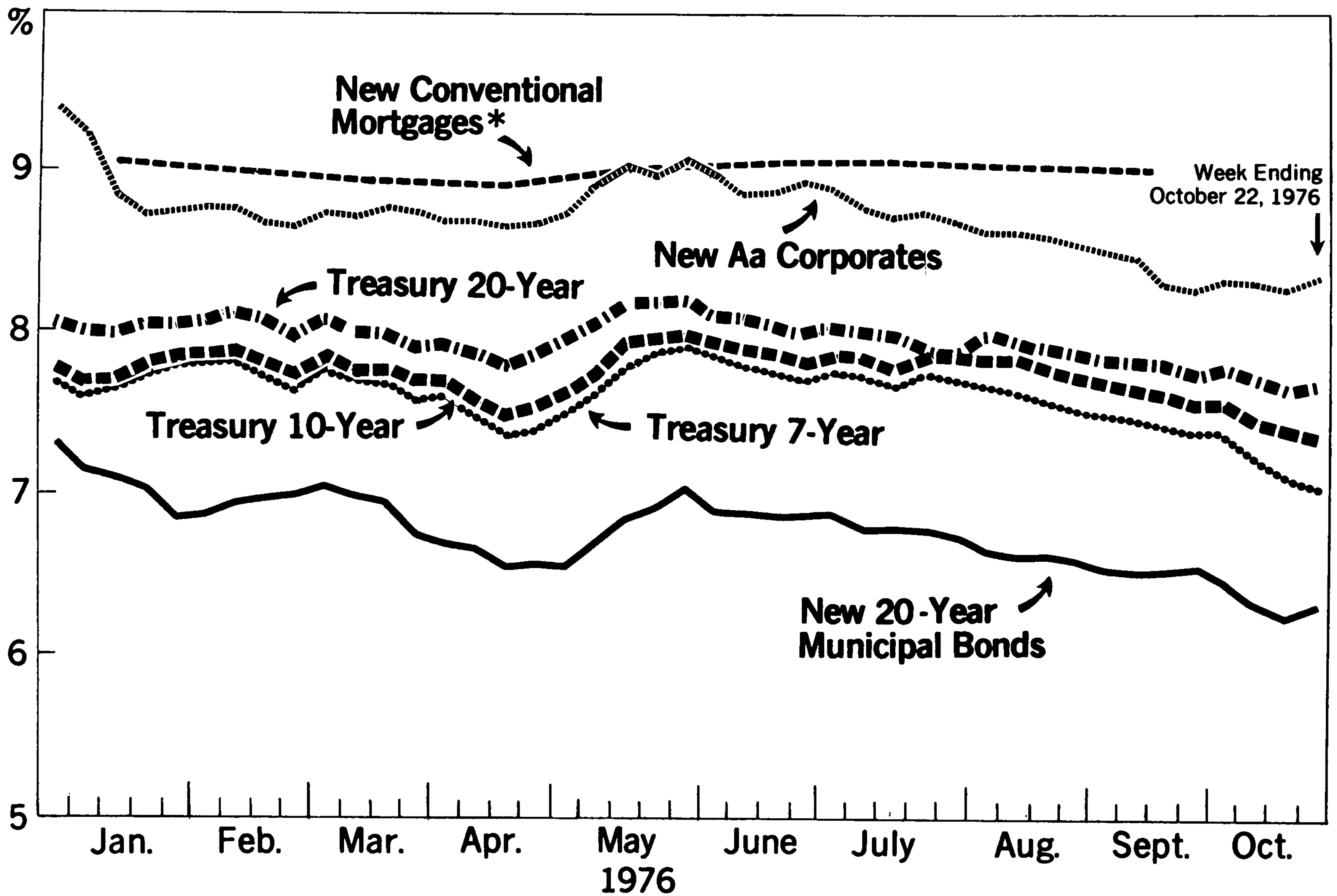


Office of the Secretary of the Treasury
Office of Government Financing

October 26, 1976-10

INTERMEDIATE & LONG MARKET RATES

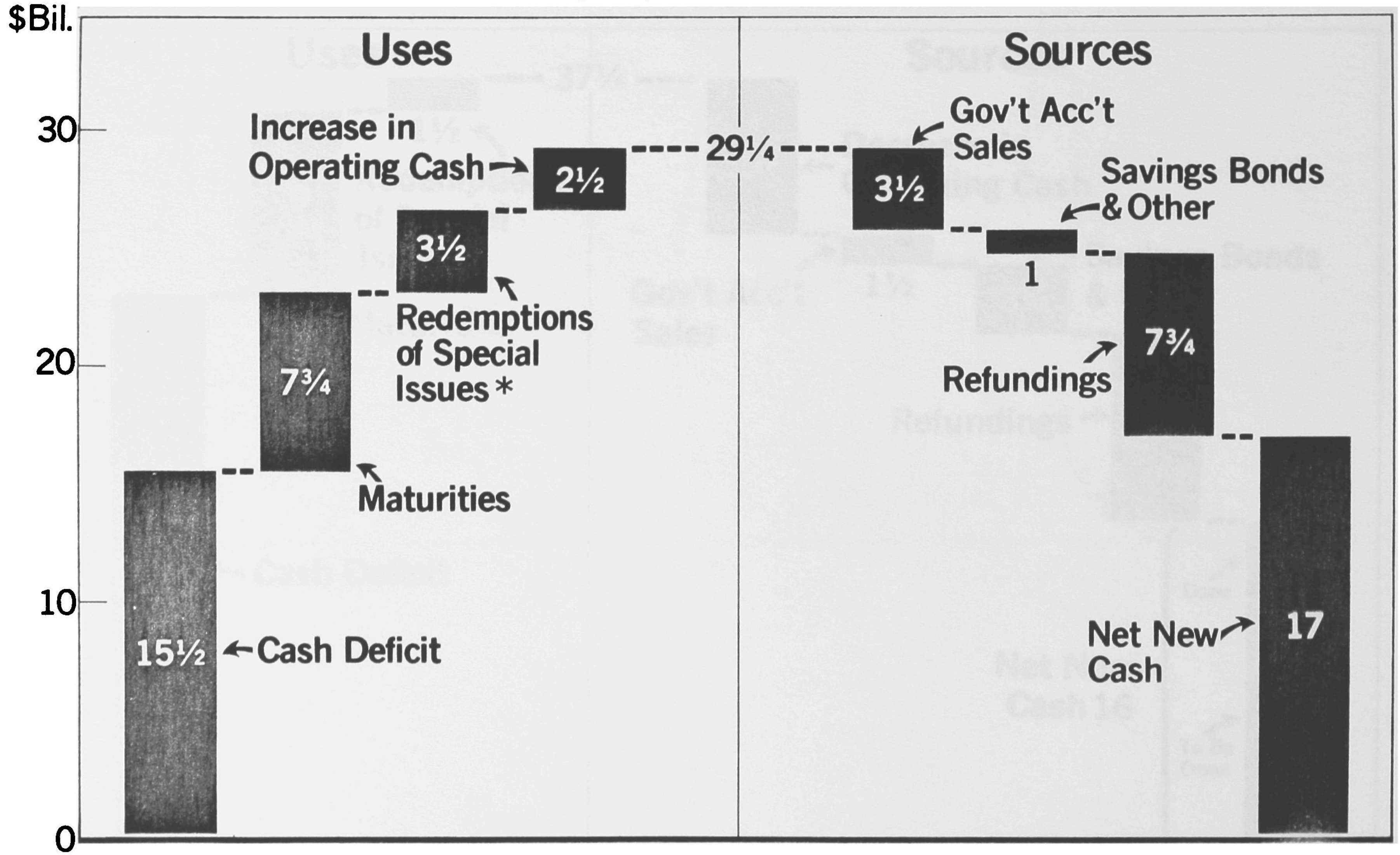
Weekly Averages



* Monthly, weekly data not available.

TREASURY FINANCING REQUIREMENTS

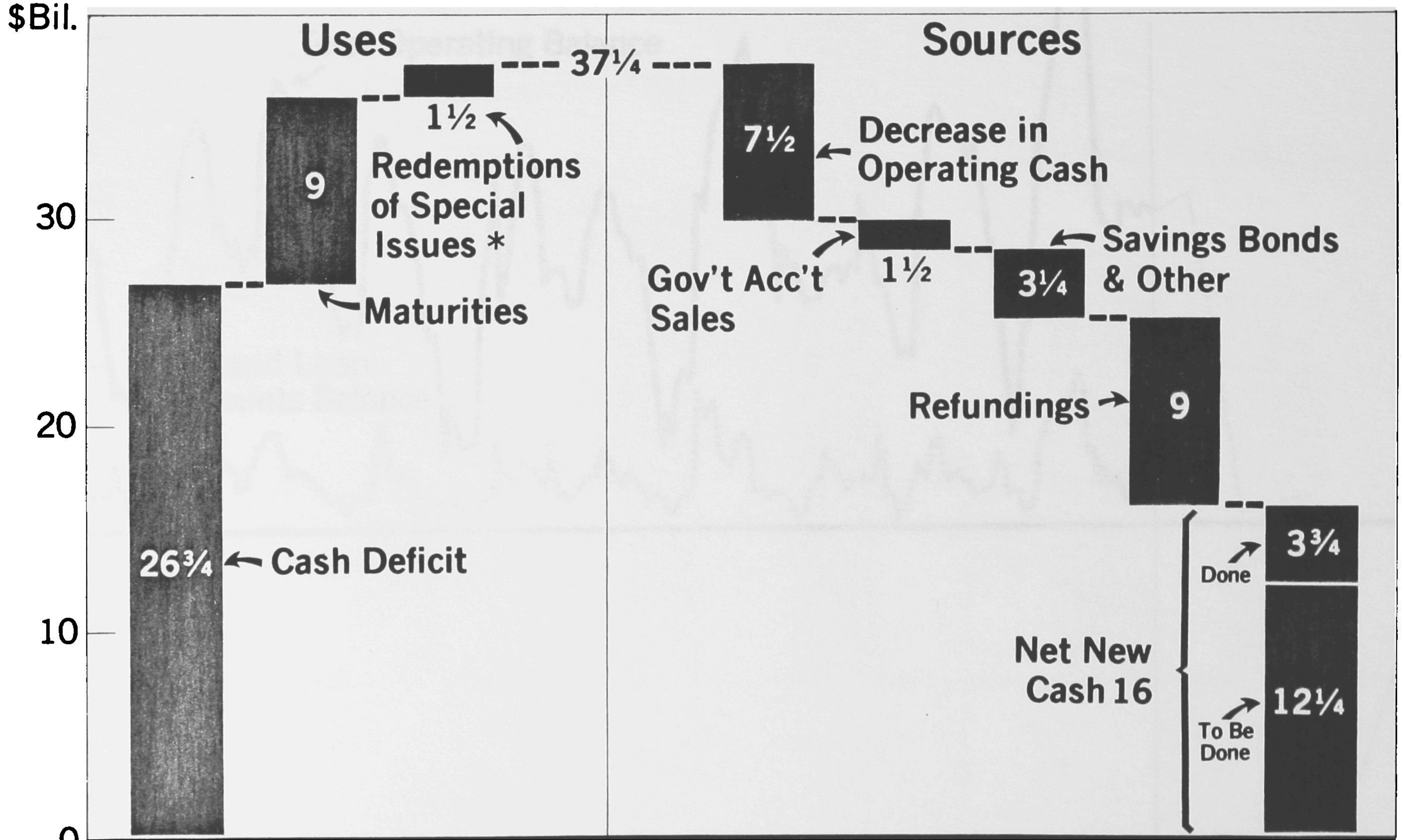
July-September 1976



* Includes maturing marketable securities of $1¾ billion.

TREASURY FINANCING REQUIREMENTS

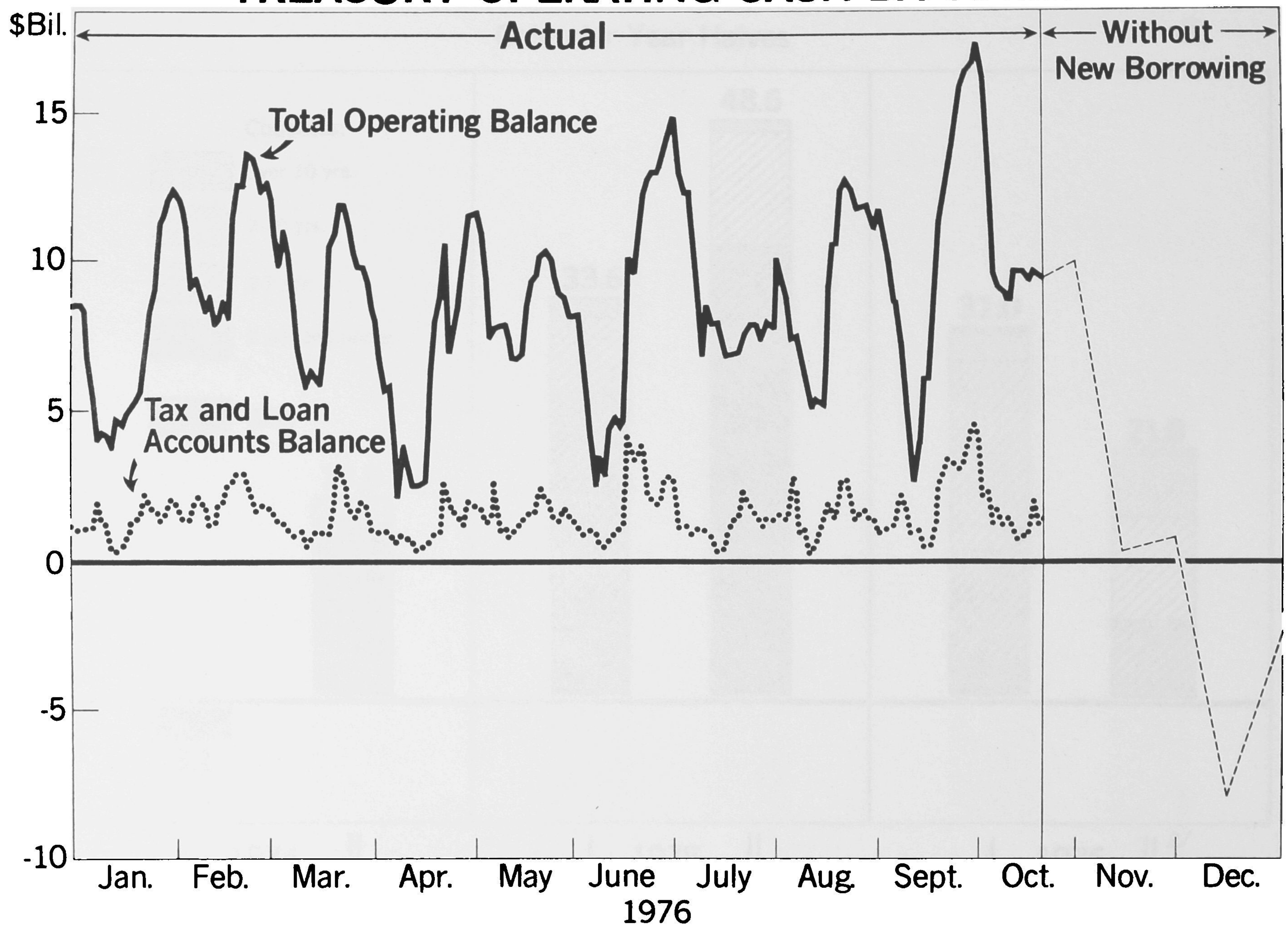
October-December 1976 1/



* Includes maturing marketable securities of $¼ billion.

1/ Assumes $10 billion December 31 cash balance.

TREASURY OPERATING CASH BALANCE*



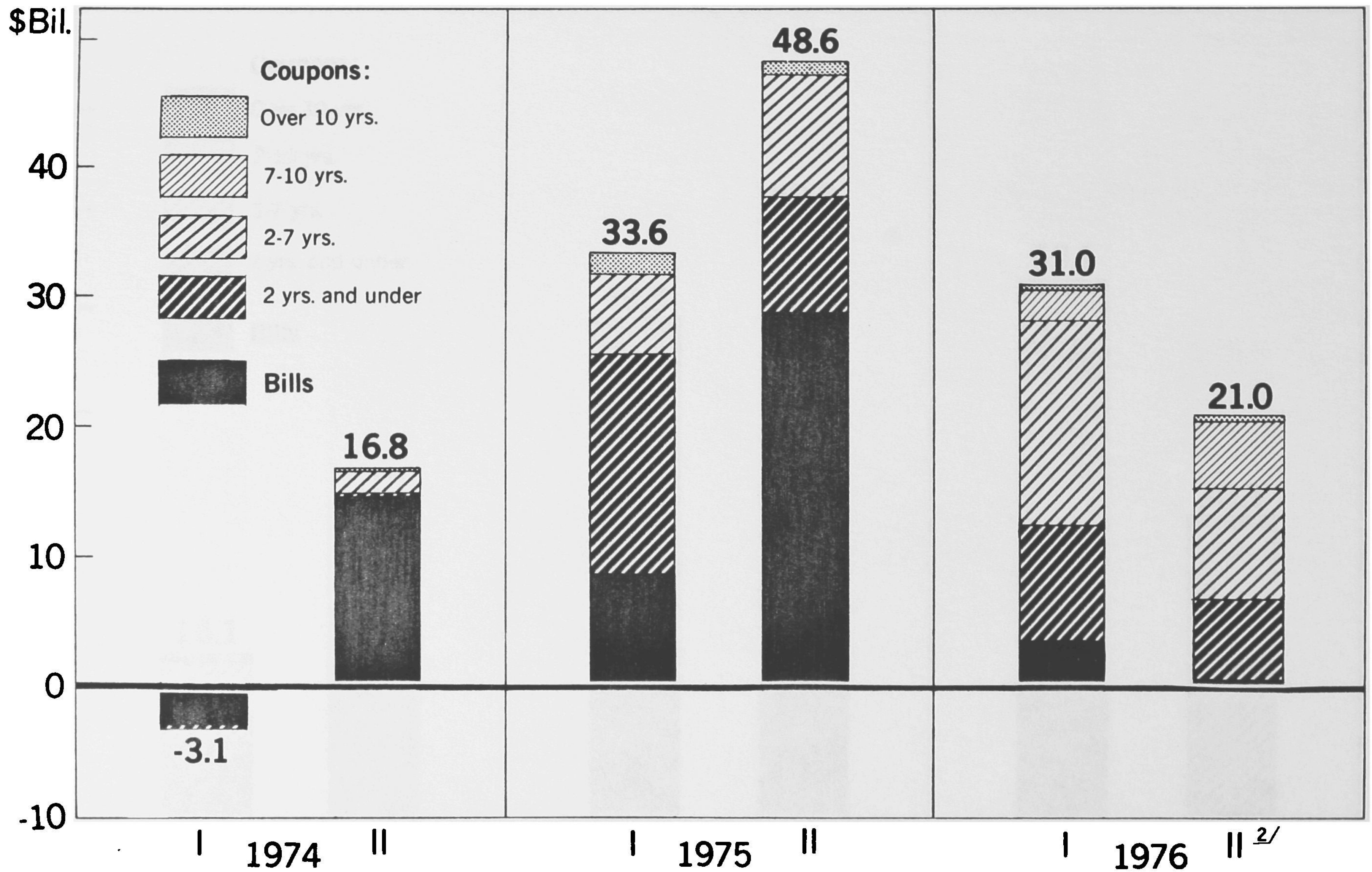
* Daily

Office of the Secretary of the Treasury
Office of Government Financing

October 26, 1976-8

TREASURY NET NEW MONEY BORROWING 1/

Calendar Year Halves



1/ Excludes Federal Reserve and Government Account transactions.

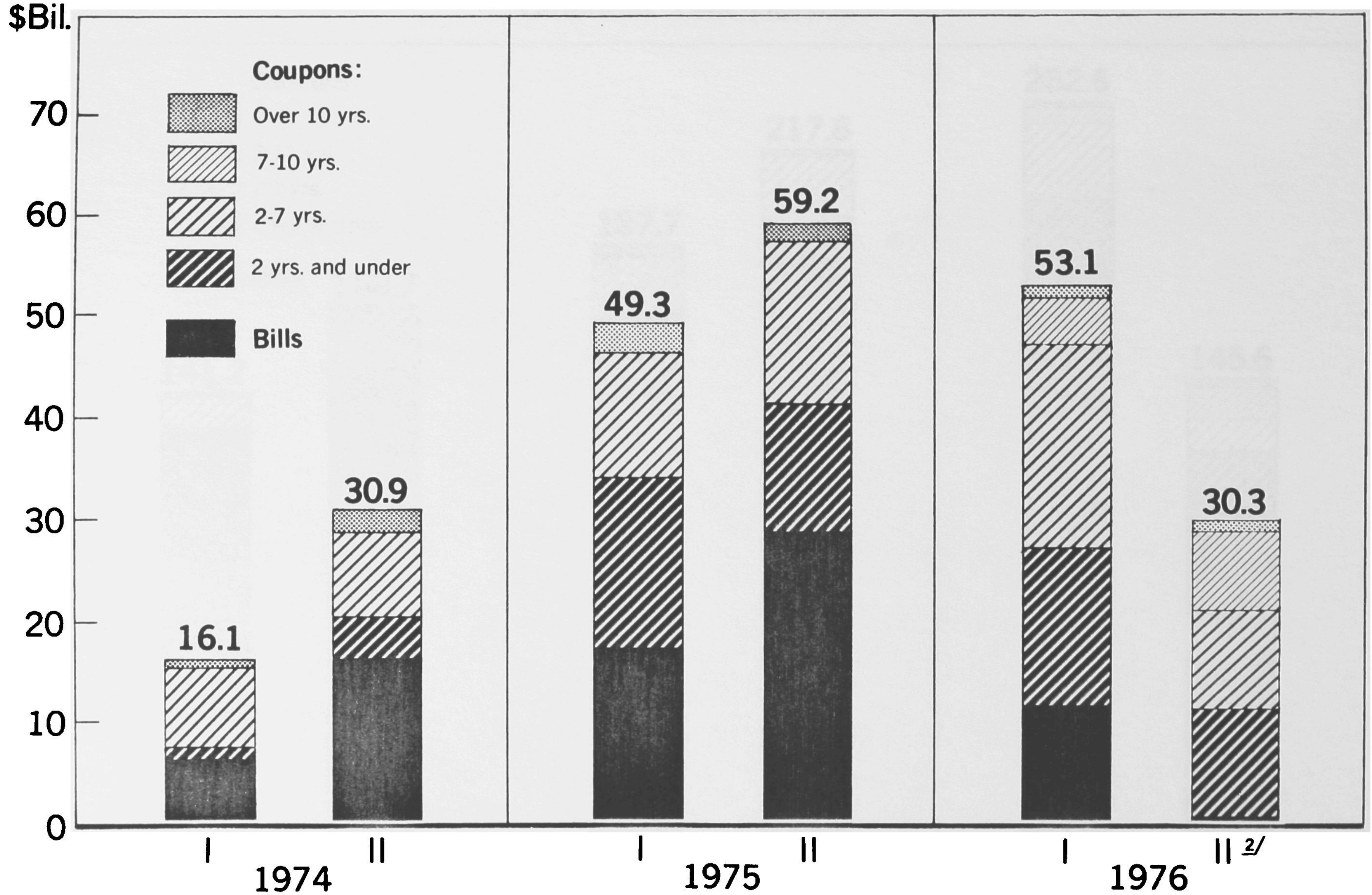
2/ Issued or announced through October 19, 1976.

Office of the Secretary of the Treasury
Office of Government Financing

October 26, 1976-7

GROSS MARKET BORROWING 1974 - TO DATE[1]

Calendar Year Halves



1/ Gross public offerings of coupon issues and cash management bills; net offerings of regular bills. Excludes Federal Reserve and Government Account transactions.

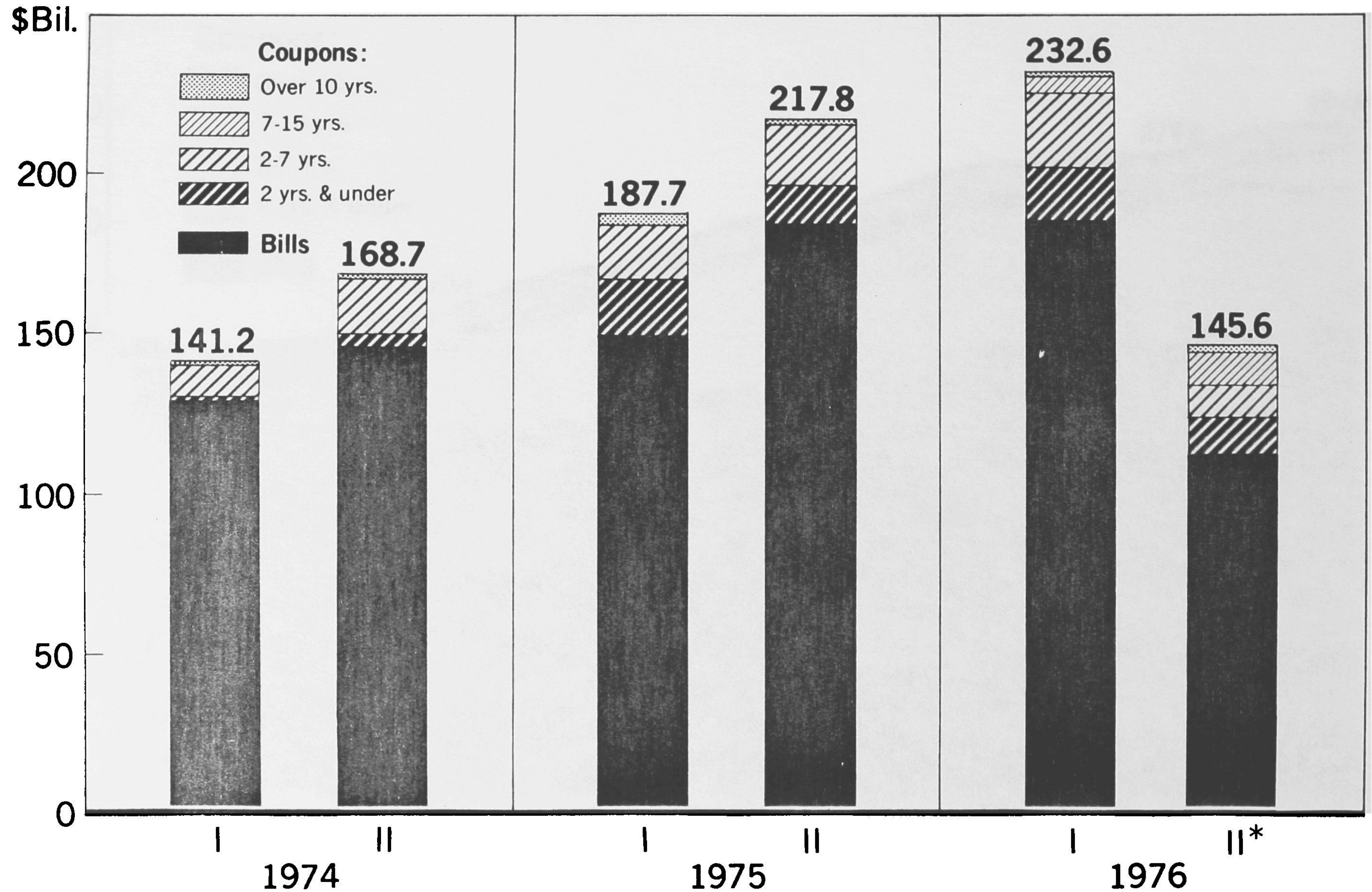
2/ Issued or announced through October 19, 1976.

Office of the Secretary of the Treasury
Office of Government Financing

October 26, 1976-5

GROSS OFFERINGS OF MARKETABLE SECURITIES

Calendar Year Halves

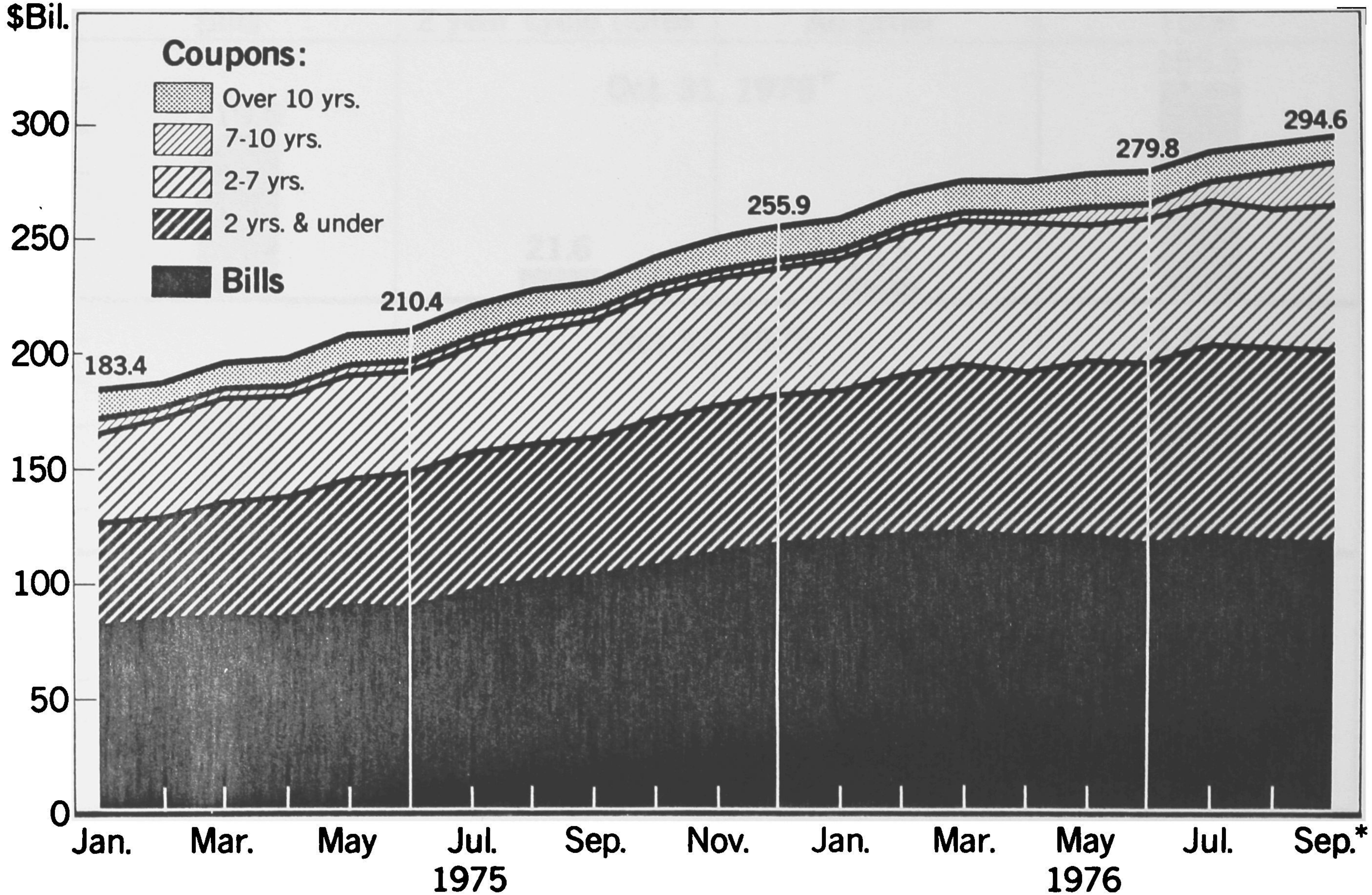


Office of the Secretary of the Treasury
Office of Government Financing

* Issued or announced through October 19, 1976.

October 26, 1976 6

PRIVATE HOLDINGS OF TREASURY MARKETABLE DEBT BY MATURITY



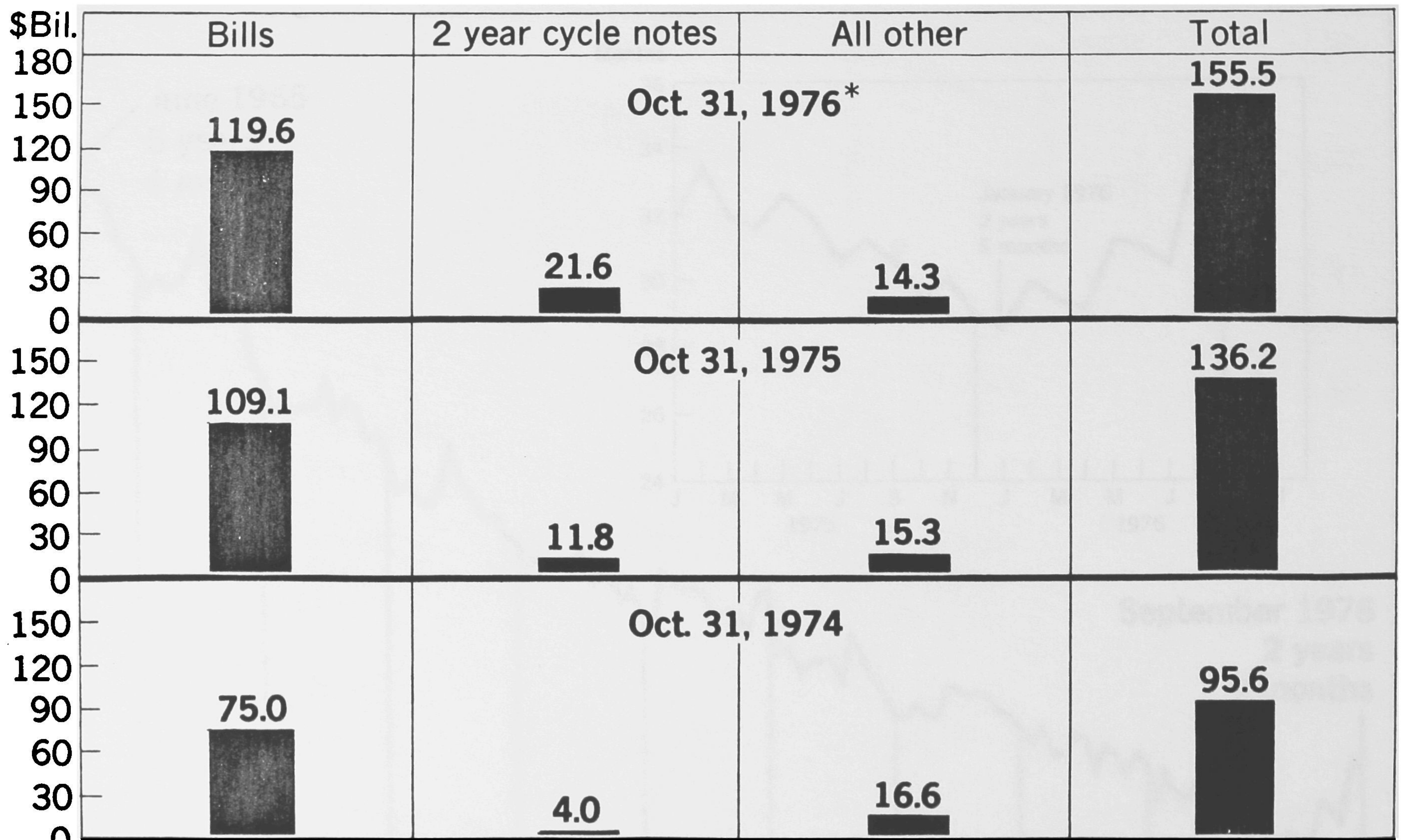
* Estimated

Office of the Secretary of the Treasury
Office of Government Financing

October 26, 1976-15

MARKETABLE MATURITIES WITHIN 1 YEAR

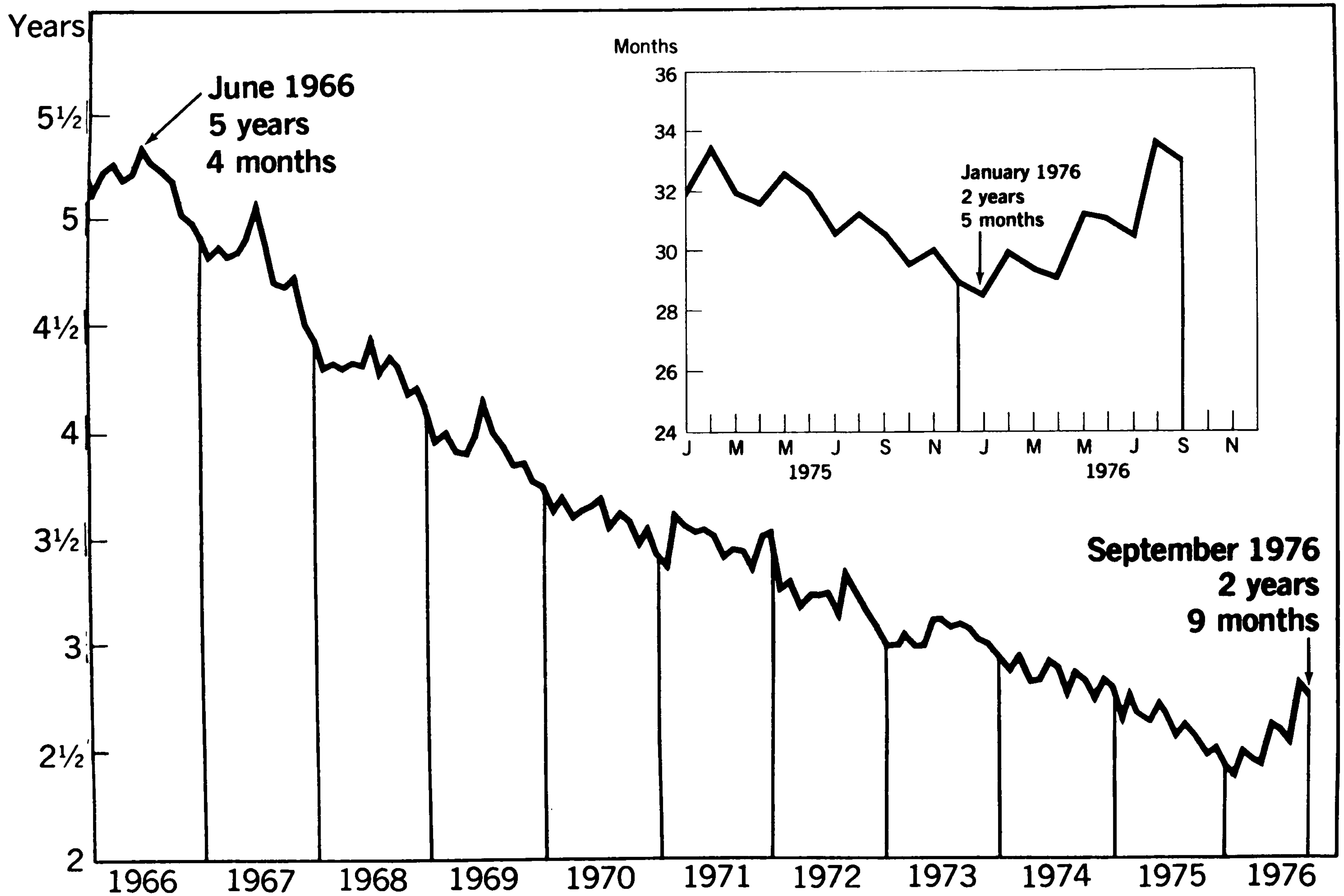
Privately Held



*Estimated

AVERAGE LENGTH OF THE MARKETABLE DEBT

Privately Held



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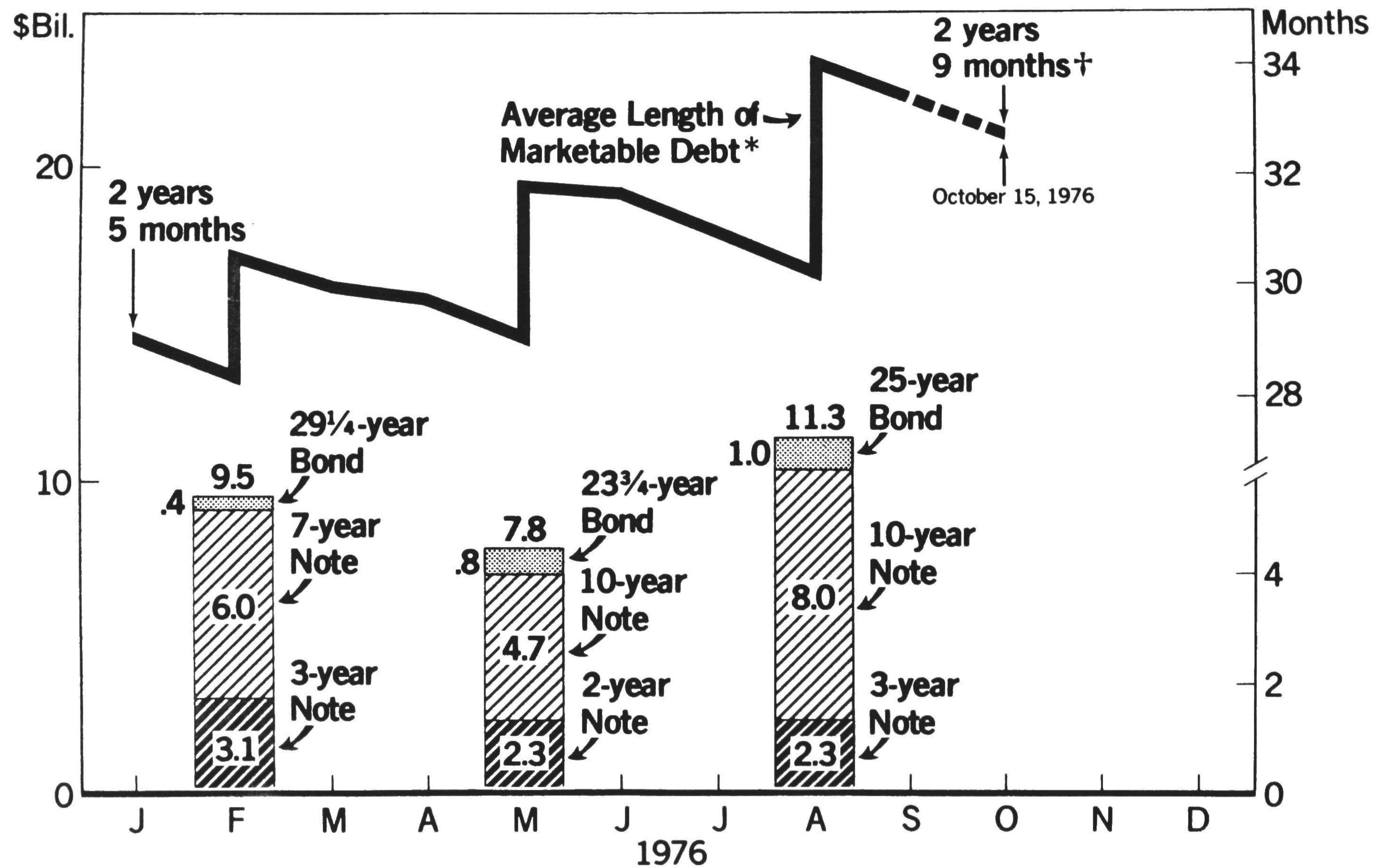
Office of Government Financing

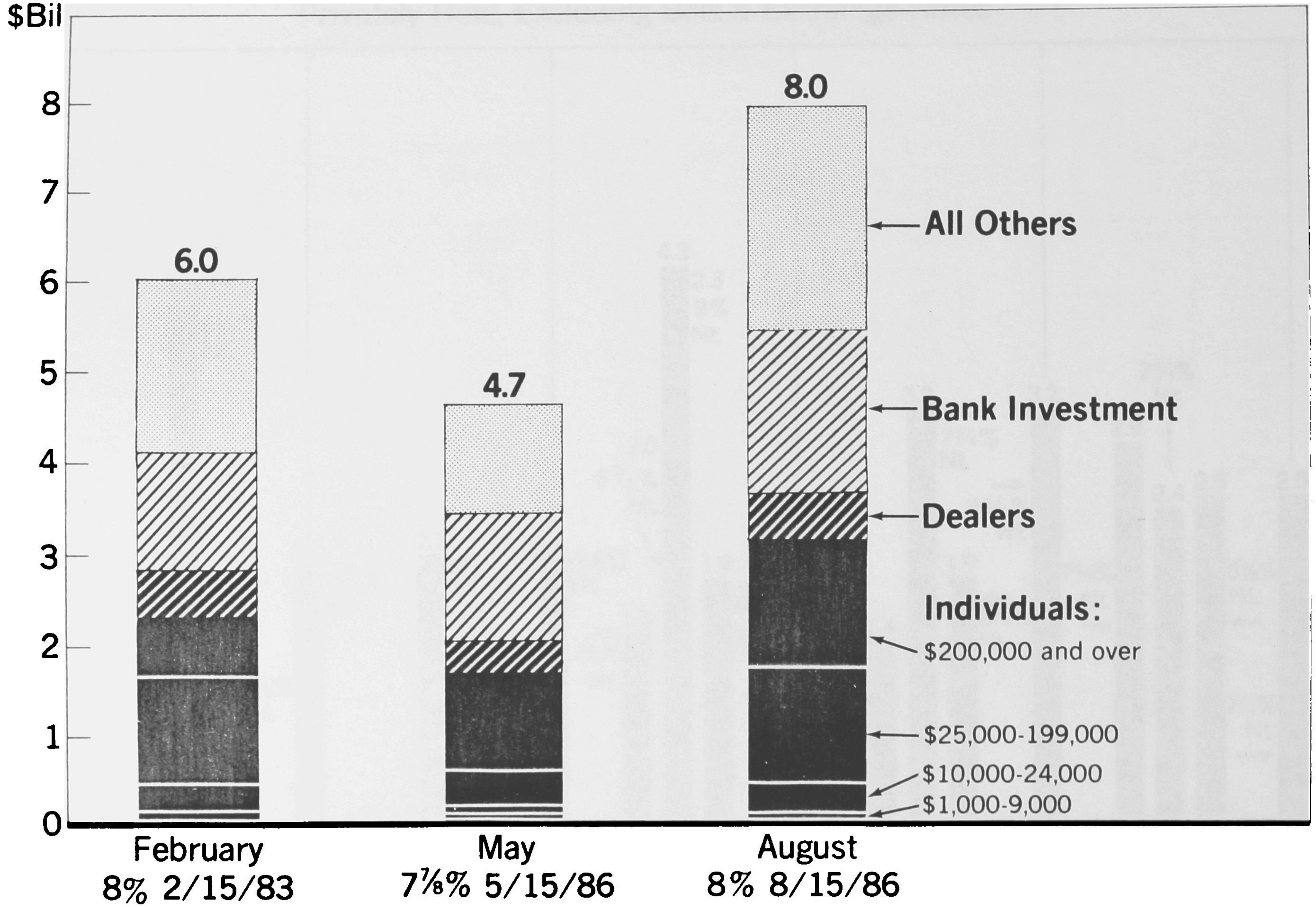
October 21, 1976-1

EFFECT OF MID-QUARTER FINANCINGS ON DEBT EXTENSION



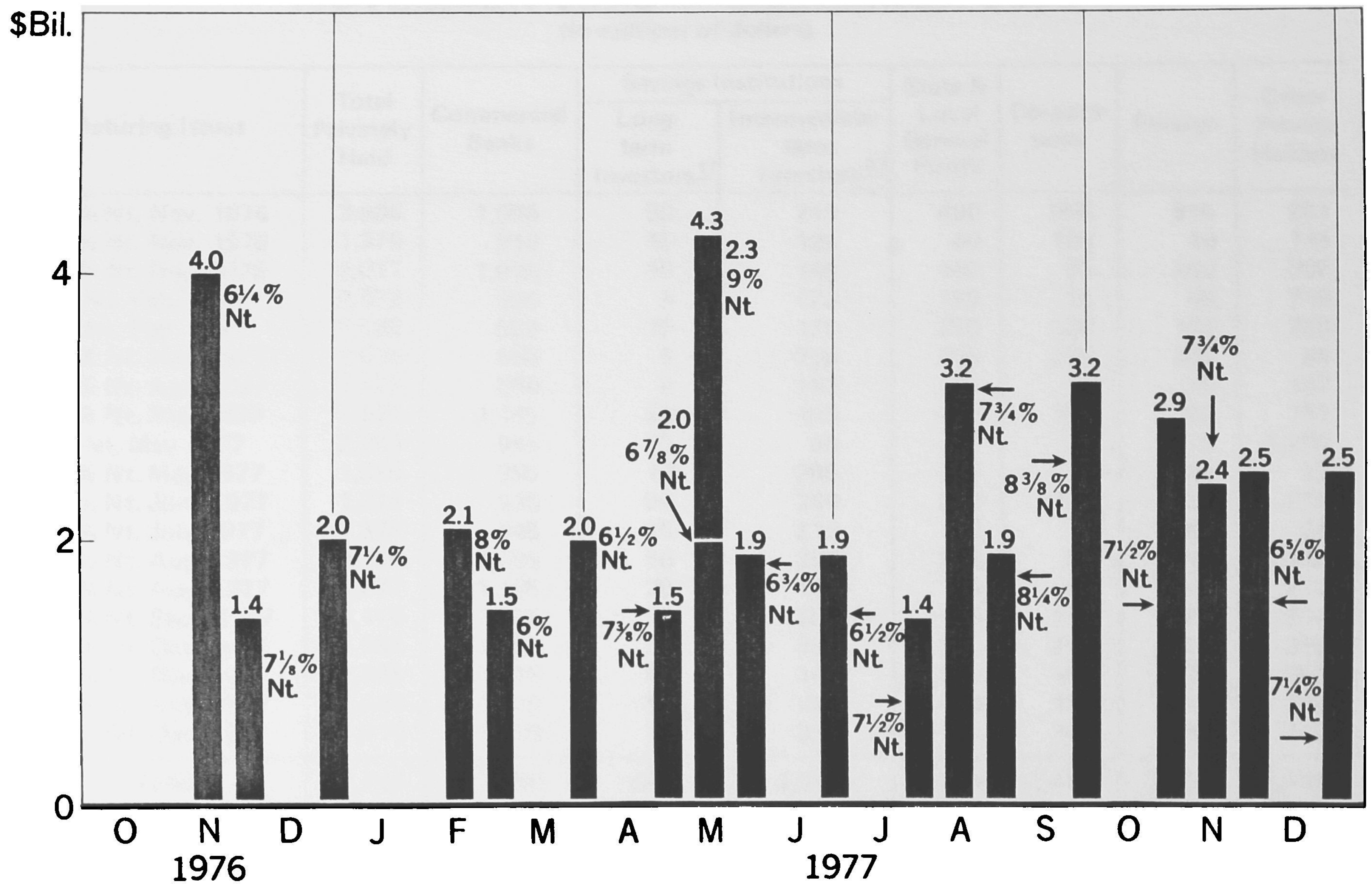
* Privately Held   † Estimated

ALLOTMENTS OF FIXED PRICE OFFERINGS IN 1976



MARKETABLE MATURITIES THROUGH DECEMBER 31, 1977

Privately Held, Excluding Bills & Exchange Notes



Office of the Secretary of the Treasury
Office of Government Financing

October 21, 1976-14

OWNERSHIP OF THE MATURING ISSUES
NOVEMBER 1976 — DECEMBER 1977 *

(In millions of dollars)

Maturing Issues	Total Privately Held	Commercial Banks	Savings Institutions: Long-term Investors 1/	Savings Institutions: Intermediate-term Investors 2/	State & Local General Funds	Corporations	Foreign	Other Private Holders
6¼% Nt. Nov. 1976	3,986	1,555	50	240	490	555	815	281
7⅛% Nt. Nov. 1976	1,370	910	15	125	60	105	40	115
7¼% Nt. Dec. 1976	2,017	1,020	30	185	185	95	200	302
8% Nt. Feb. 1977	2,072	950	5	120	180	15	90	712
6% Nt. Feb. 1977	1,520	550	15	170	290	120	155	220
6½% Nt. Mar. 1977	2,034	955	5	200	250	235	325	64
7⅜% Nt. Apr. 1977	1,477	880	5	180	185	15	75	137
6⅞% Nt. May 1977	1,991	1,145	30	185	190	195	65	181
9% Nt. May 1977	2,343	945	10	60	30	5	5	1,288
6¾% Nt. May 1977	1,895	995	10	285	415	25	130	35
6½% Nt. June 1977	1,921	930	50	260	200	235	30	216
7½% Nt. July 1977	1,379	845	15	215	135	5	80	84
7¾% Nt. Aug. 1977	3,250	1,695	50	205	290	60	140	810
8¼% Nt. Aug. 1977	1,877	1,185	25	165	85	55	90	272
8⅜% Nt. Sept. 1977	3,179	1,535	70	285	85	115	175	914
7½% Nt. Oct. 1977	2,984	1,550	95	365	155	215	265	339
7¾% Nt. Nov. 1977	2,398	1,515	60	140	120	160	145	258
6⅝% Nt. Nov. 1977	2,541	1,515	65	320	200	125	210	106
7¼% Nt. Dec. 1977	2,515	1,515	35	335	185	140	190	115
Total	42,749	22,190	640	4,040	3,730	2,475	3,225	6,449

* Based on August 1976 survey of ownership.

1/ Includes State and local pension funds and life insurance companies.

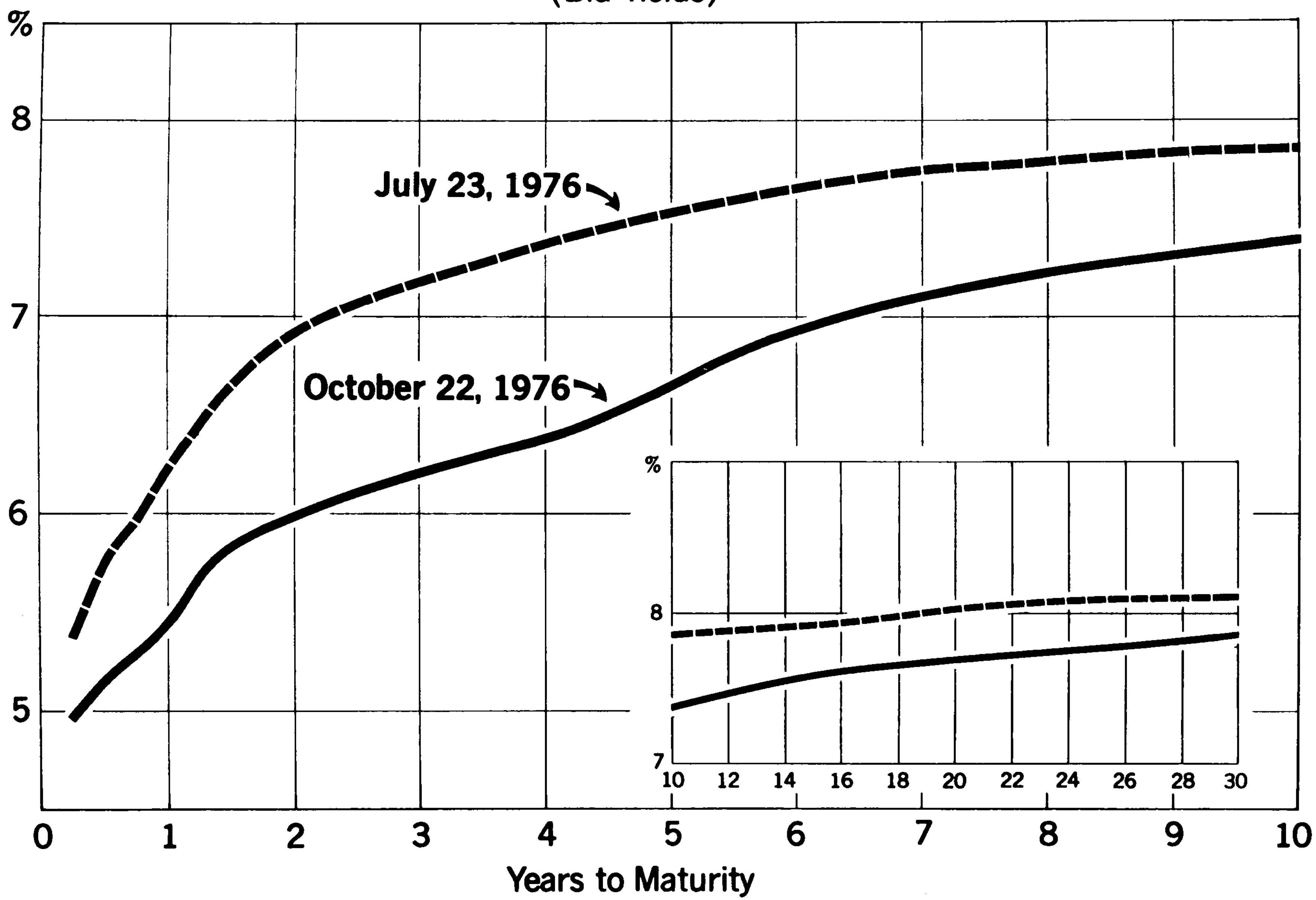
2/ Includes fire, casualty, and marine insurance, savings banks, savings and loan, and corporate pension funds.

Office of the Secretary of the Treasury
Office of Government Financing

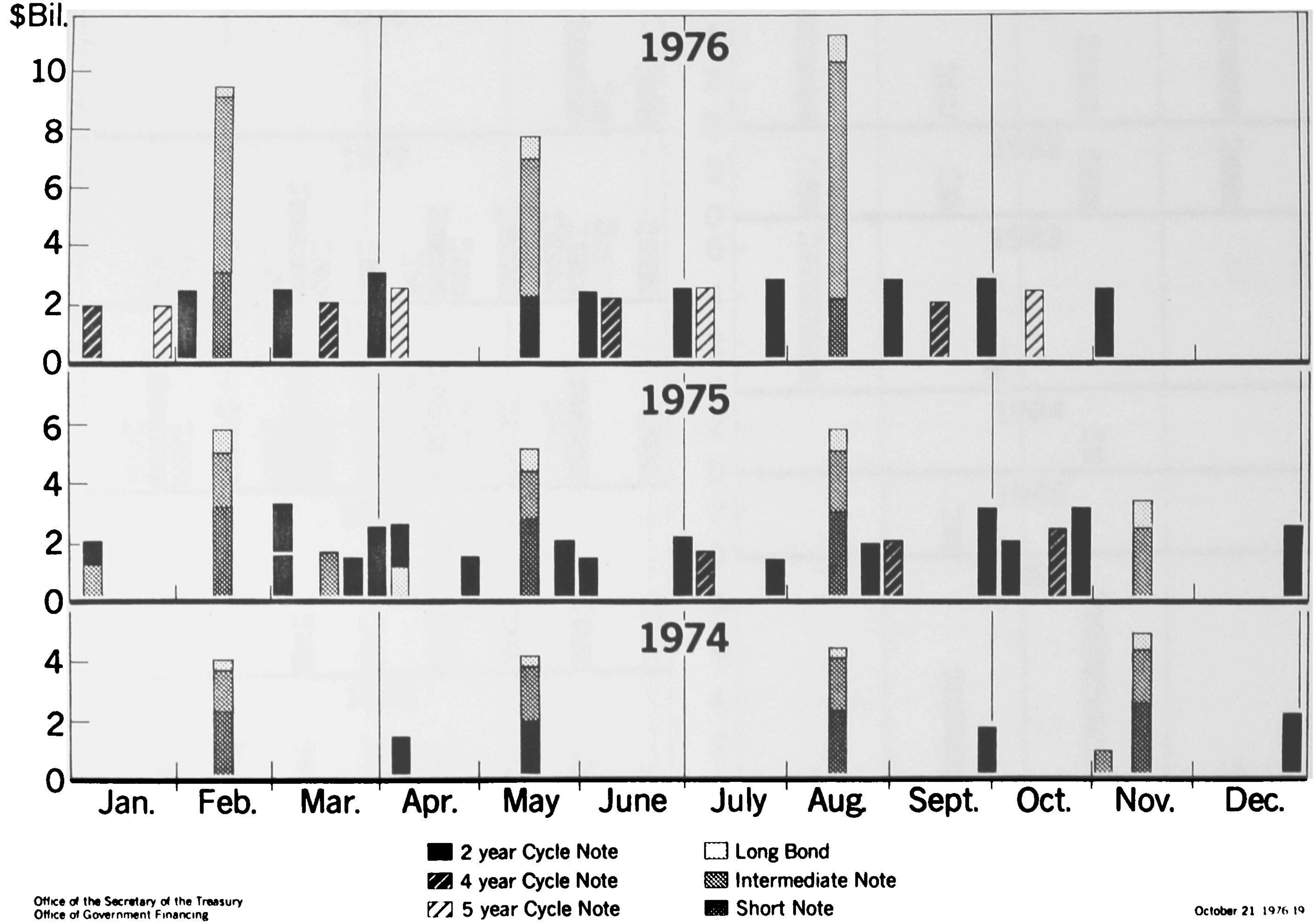
October 26, 1976-1

MARKET YIELDS ON GOVERNMENTS

(Bid Yields)



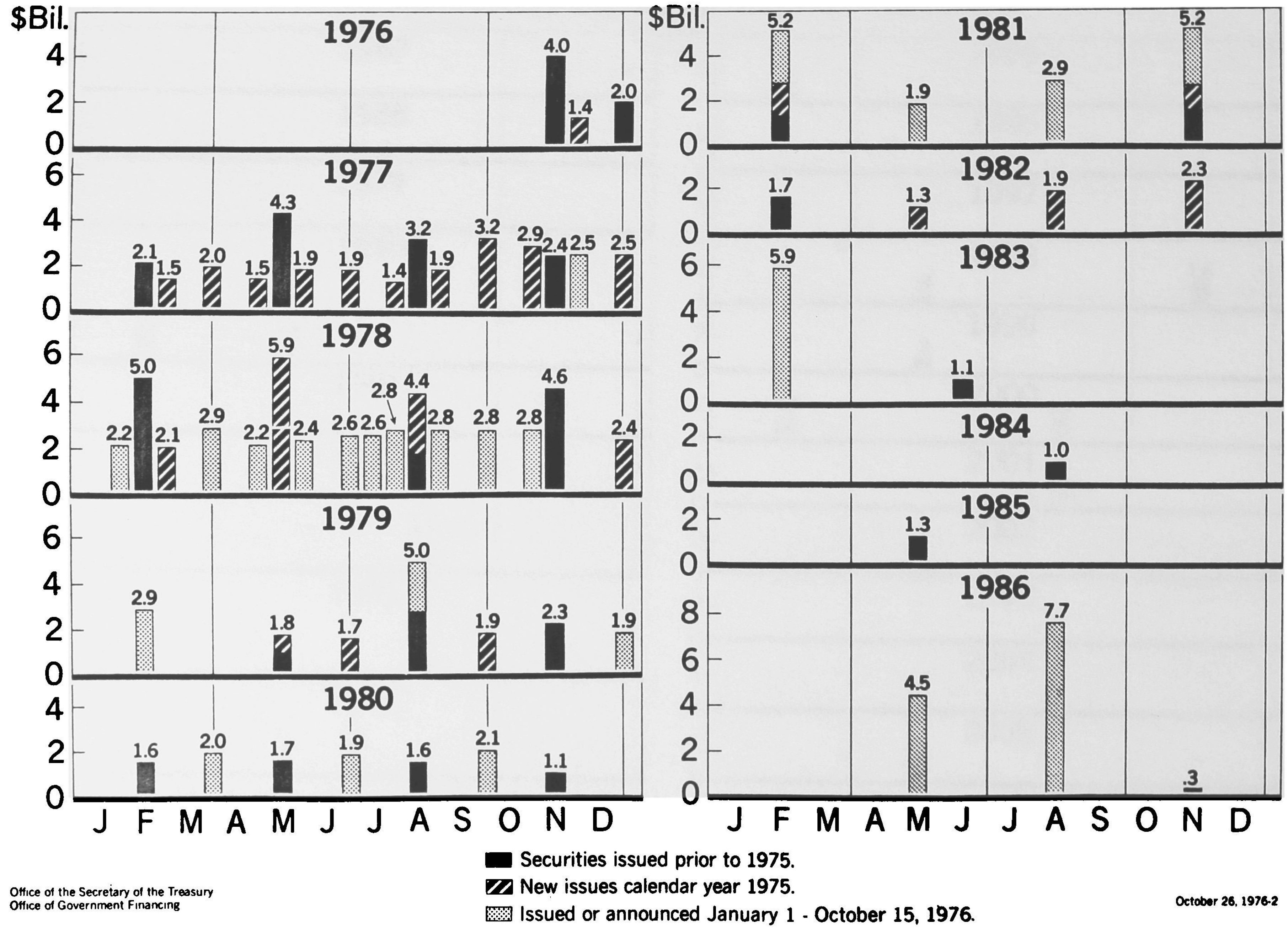
TREASURY MARKETABLE COUPON ISSUES TO PRIVATE INVESTORS



Office of the Secretary of the Treasury
Office of Government Financing

October 21 1976 19

TREASURY MARKETABLE MATURITIES
Privately Held, Excluding Bills and Exchange Notes

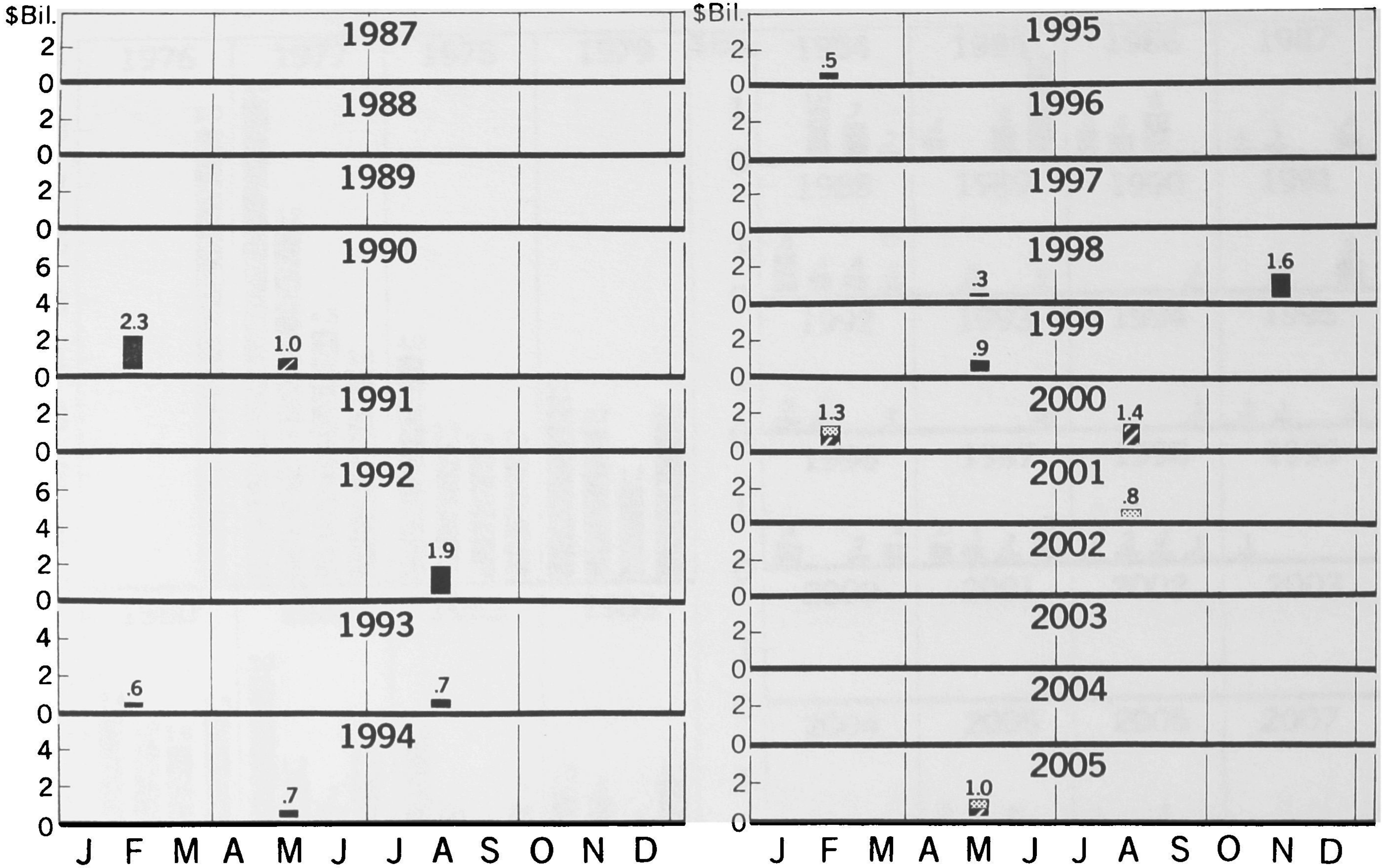


Office of the Secretary of the Treasury
Office of Government Financing

October 26, 1976-2

TREASURY MARKETABLE MATURITIES

Privately Held, Excluding Bills and Exchange Notes



Securities issued prior to 1975.

New issues calendar year 1975.

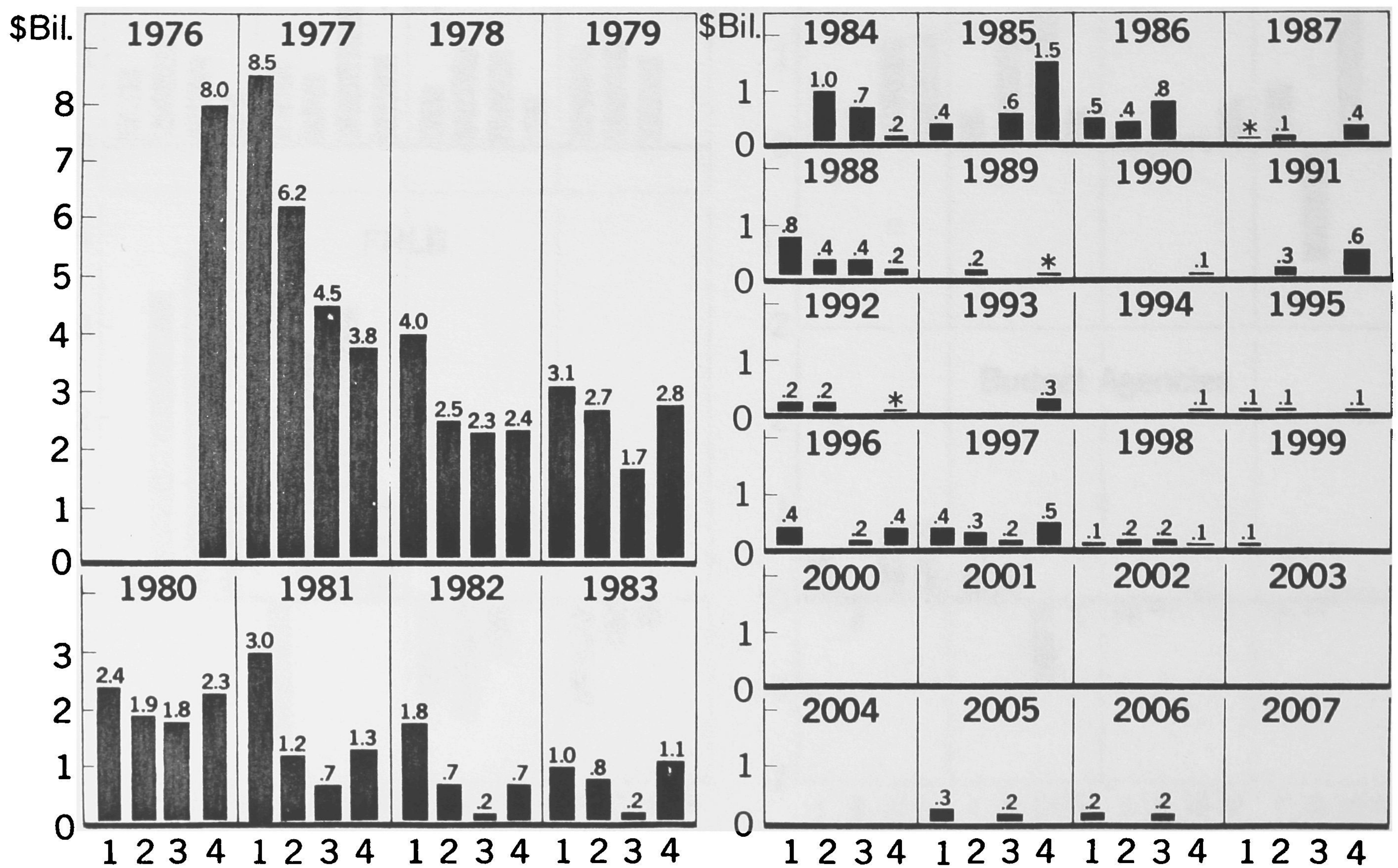
Issued or announced January 1 - October 15, 1976.

Office of the Secretary of the Treasury
Office of Government Financing

October 26, 1976 3

AGENCY MATURITIES 1/

Privately Held



Calendar Years Quarterly

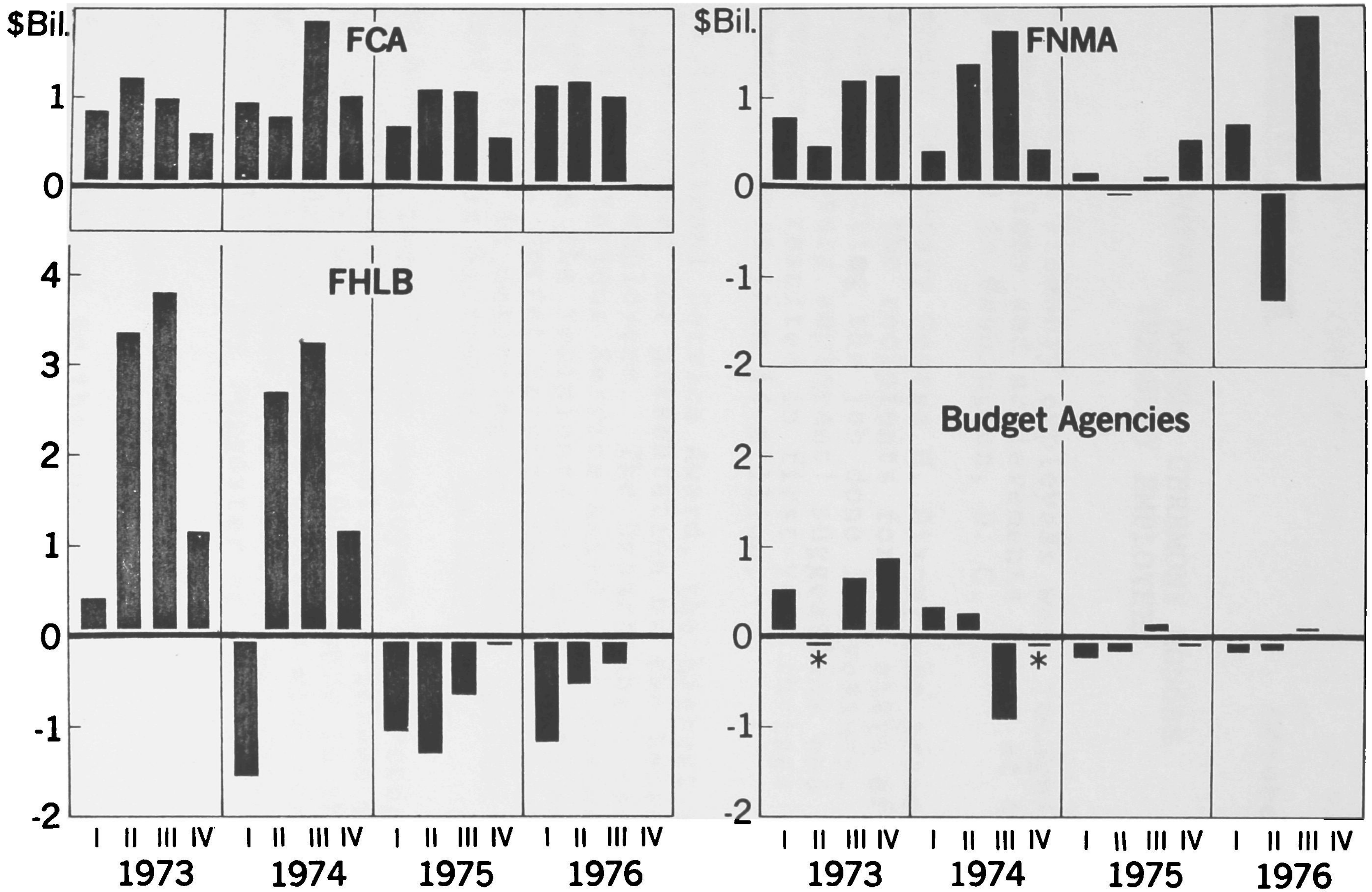
1/ Issued or announced through October 15, 1976.

* Less than $50 million.

Office of the Secretary of the Treasury
Office of Government Financing

October 21, 1976 21

NET NEW MONEY IN AGENCY FINANCE
Privately Held



Calendar Years Quarterly
*Less than $50 million.

Office of the Secretary of the Treasury
Office of Government Financing

October 21,1976-22

the Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE October 29, 1976

ANNUAL AWARDS CEREMONY HONORS
TREASURY EMPLOYEES

Two hundred Treasury employees were recognized for their contributions and achievements today at the Annual Awards Ceremony in Washington, D. C.

Deputy Secretary George H. Dixon, who presented the awards, praised the recipients for the extra efforts they had given to getting the job done in Treasury. He also noted that Treasury employees' suggestions and superior performance had resulted in first-year savings to the government of more than $4 million.

The Exceptional Service Award, the highest award which may be recommended for presentation by the Secretary, was conferred on 20 employees. The Department's second highest award, the Meritorious Service Award, was presented to 27 employees. Among the recipients of that award was Larry Buendorf, a U.S. Secret Service Special Agent, who was honored for his actions in deterring an attempt against the life of President Ford in Sacramento, California.

One hundred twenty-five employees were recognized for special achievements and suggestions. Fifteen employees received monetary awards of $1,000 or more in these categories. James B. Hollender, a computer operator with the Internal Revenue Service in Fresno, California, was recognized as the Department's outstanding suggester of the year for fiscal year 1976.

Other awards included:

Plaques presented to the Bureau of Engraving and Printing and the Bureau of the Mint for the best showing in the performance and suggestions phases of the Incentive Awards Program, respectively.

WS-1145

Recognition of 39 employees for excellence in supervision and in furthering government-wide programs in which the President has requested special efforts from the Executive Branch.

Recognition of 12 employees who have served in the Federal service for 40 or more years.

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e Department of the TREASURY NEWS
HINGTON, D.C. 20220 TELEPHONE 964-2041

Contact: L.F.Potts
Extension 2951
October 29, 1976

FOR IMMEDIATE RELEASE

TREASURY ANNOUNCES REOPENING OF DISCONTINUED ANTIDUMPING INVESTIGATION WITH RESPECT TO RAILWAY TRACK MAINTENANCE EQUIPMENT FROM AUSTRIA

The Treasury Department announced today that its investigation of railway track maintenance equipment from Austria, which was discontinued in 1972, would be reopened. Notice of this action will be published in the FEDERAL REGISTER of November 1, 1976.

Treasury's antidumping investigation of the subject merchandise was discontinued on March 24, 1972, in part on the basis of price assurances. The notice of reopening will state that the Treasury has received current pricing information from the domestic industry indicating that the subject merchandise from Austria is being sold in the United States at less than fair value. The Customs Service is renewing its investigation of imports of railway track maintenance equipment in order to determine whether or not a violation of price assurances is occurring. This marks the first occasion that the Treasury has reopened an investigation discontinued on the basis of price assurances.

Imports of the subject merchandise from Austria during the first half of 1976 were valued at roughly $1,287,000.

* * *

WS-1146

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE October 29, 1976

The Treasury Department today released a reply by Richard R. Albrecht, the department's General Counsel, to a press release issued today by Representative Jack Brooks, Chairman of the House Committee on Government Operations; relating to duplication of former President Richard M. Nixon's tapes.

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WS-1147

THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

October 29, 1976

Honorable Jack Brooks
Chairman
Committee on Government Operations
House of Representatives
2167 Rayburn House Office Building
Washington, D. C. 20515

Dear Mr. Chairman:

Because the Secret Service, an agency of this Department, controls access to the original tape recordings made by former President Nixon, I did not want a day to go by without correcting the false and misleading inferences contained in the press release issued by your office late this afternoon.

During the period August-October 1976 referred to in your press release:

-- There had been no access by President Ford or anyone on his behalf.

-- The court order governing access to the tapes has been scrupulously observed at all times.

-- The court order requires duplication of tapes upon the request of, and for use by, Mr. Nixon's designated agents.

-- Tapes removed for duplication for Mr. Nixon's agents, at their request and as required by the court order, covered only conversations prior to July 22, 1972, which was well before the House Banking and Currency Committee had proposed the investigation which you have referred to in your press release.

-- No other access has occurred.

Sincerely,

Richard R. Albrecht

Richard R. Albrecht
General Counsel

e Department of the TREASURY NEWS
HINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE November 1, 1976

H. STUART KNIGHT ELECTED VICE PRESIDENT FOR THE AMERICAS OF INTERPOL

H. Stuart Knight, Director of the U.S. Secret Service, was elected Vice President for the Americas during the 45th Annual General Assembly of the International Criminal Police Organization (INTERPOL) held October 14-20, 1976, in Accra, Ghana.

Knight is one of four Vice Presidents to INTERPOL who represent the continents of Asia, Africa, Europe and the Americas. The purpose of the organization is to insure and promote the widest possible assistance among all criminal police authorities within the laws existing in the countries, and to establish and develop all institutions likely to contribute effectively to the suppression and prevention of crime.

As Vice President, Knight is a member of the Executive Committee. The Committee supervises the execution of the decisions of the General Assembly, submits to the General Assembly any program of work or projects it considers useful, and supervises the administration and work of the Secretary General of Interpol.

There are currently 125 member countries of Interpol.

0o0

WS-1148

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE November 1, 1976

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $2,600 million of 13-week Treasury bills and for $3,700 million of 26-week Treasury bills, both series to be issued on November 4, 1976, were opened at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing February 3, 1977			26-week bills maturing May 5, 1977		
	Price	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/
High	98.776	4.842%	4.97%	97.461 a/	5.022%	5.22%
Low	98.770	4.866%	4.99%	97.453	5.038%	5.24%
Average	98.771	4.862%	4.99%	97.457	5.030%	5.23%

a/ Excepting 1 tender of $1,000,000

Tenders at the low price for the 13-week bills were allotted 78%.
Tenders at the low price for the 26-week bills were allotted 26%.

TOTAL TENDERS RECEIVED AND ACCEPTED
BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted	Received	Accepted
Boston	$ 49,805,000	$ 15,390,000	$ 54,540,000	$ 4,540,000
New York	3,849,320,000	2,236,025,000	7,763,025,000	3,498,470,000
Philadelphia	31,875,000	27,420,000	15,620,000	5,620,000
Cleveland	36,045,000	30,175,000	213,080,000	25,180,000
Richmond	17,140,000	15,640,000	53,100,000	6,100,000
Atlanta	28,605,000	24,855,000	24,415,000	12,415,000
Chicago	277,960,000	70,600,000	573,260,000	16,260,000
St. Louis	64,045,000	20,155,000	69,130,000	46,130,000
Minneapolis	34,175,000	13,175,000	25,290,000	2,290,000
Kansas City	32,705,000	27,985,000	13,380,000	12,530,000
Dallas	103,035,000	93,035,000	23,145,000	15,145,000
San Francisco	184,080,000	27,880,000	404,330,000	63,990,000
Treasury	205,000	205,000	15,000	15,000
TOTALS	$4,708,995,000	$2,602,540,000 b/	$9,232,330,000	$3,708,685,000 c/

b/Includes $ 331,165,000 noncompetitive tenders from the public.
c/Includes $ 134,160,000 noncompetitive tenders from the public.
1/Equivalent coupon-issue yield.

S-1149

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE AT 3:30 P.M. November 2, 1976

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $6,300 million, or thereabouts, to be issued November 12, 1976, as follows:

90-day bills (to maturity date) in the amount of $2,600 million, or thereabouts, representing an additional amount of bills dated August 12, 1976, and to mature February 10, 1977 (CUSIP No. 912793 E5 1), originally issued in the amount of $3,803 million, the additional and original bills to be freely interchangeable.

181-day bills, for $3,700 million, or thereabouts, to be dated November 12, 1976, and to mature May 12, 1977 (CUSIP No. 912793 G2 6).

The bills will be issued for cash and in exchange for Treasury bills maturing November 12, 1976, outstanding in the amount of $6,304 million, of which Government accounts and Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold $3,507 million. These accounts may exchange bills they hold for the bills now being offered at the average prices of accepted tenders.

The bills will be issued on a discount basis under competitive and noncompetitive bidding, and at maturity their face amount will be payable without interest. They will be issued in bearer form in denominations of $10,000, $15,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value), and in book-entry form to designated bidders.

Tenders will be received at Federal Reserve Banks and Branches and from individuals at the Bureau of the Public Debt, Washington, D. C. 20226, up to 1:30 p.m., Eastern Standard time, Monday, November 8, 1976.
Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. 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.

Banking institutions and dealers who make primary markets in Government

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securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others 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 bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. 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 $500,000 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 or Branch or at the Bureau of the Public Debt on November 12, 1976, in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 12, 1976. 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.

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 considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of bills (other than life insurance companies) issued hereunder must include in his Federal income tax return, as ordinary gain or loss, the difference between the price paid for the 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.

Department of the Treasury 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, or from the Bureau of the Public Debt.

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federal financing bank NEWS
WASHINGTON, D.C. 20220
Press inquiries: 202-964-2615

FOR IMMEDIATE RELEASE October 27, 1976

SUMMARY OF LENDING ACTIVITY

October 1-October 15, 1976

Federal Financing Bank lending activity for the period October 1 through October 15, 1976 was announced as follows by Roland H. Cook, Secretary:

On October 1, Amtrak signed Note #10 with the Bank in the amount of $280 million. The full amount was borrowed and used to repay Note #5 and Note #6 which were maturing with the Bank. The maturity of the loan is October 1, 1978. The interest rate is 6.535%. On the same day, Amtrak signed Note #11, a renewable line of credit with the Bank. The final maturity of the line is October 1, 1977. Amtrak borrowings are guaranteed by the Department of Transportation.

On October 1, the U.S. Railway Association (USRA) borrowed $2,850,000 against Note #8. The maturity of the loan is April 30, 1979; and the interest rate is 6.692%. USRA borrowings from the Bank are guaranteed by the Department of Transportation.

The Federal Financing Bank made ten loans totaling $40.7 million to utility companies guaranteed by the Rural Electrification Administration. All of the loans mature December 31, 2010. Interest rates range from 7.789% to 7.909% on a quarterly basis.

On October 4, the General Services Administration borrowed $2,428,626.65 under the Series M $279 million commitment with the Bank. The loan matures July 31, 2003, and bears interest at a rate of 8.014%.

On October 4, the FFB purchased $400,000 of notes from the Department of Health, Education and Welfare (HEW). The Department had previously acquired the notes which were issued by various public agencies under the Medical Facilities Loan Program. The notes mature July 1, 2000; and bear interest at a rate of 7.957%. The notes purchased by the Bank are guaranteed by HEW.

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On October 4, the Federal Financing Bank made an advance to the Chicago, Rock Island and Pacific Railroad Company in the amount of $549,000. The maturity of the loan is June 21, 1991. The interest rate is 7.795%. The loan is guaranteed by the Department of Transportation.

The FFB made the following loans to borrowers guaranteed by the Department of Defense under the Foreign Military Sales Act:

Date	Borrower	Amount	Maturity	Interest Rate
10/4	Government of China	$ 855,000.00	7/1/84	7.115%
10/5	Government of Liberia	249,000.00	6/30/82	6.853%
10/6	Government of Nicaragua	240,000.00	6/30/80	6.476%
10/8	Government of Bolivia	3,600,000.00	6/30/83	6.882%
10/8	Government of Philippines	5,180,000.00	6 30/82	6.732%
10/12	Government of Jordon	751,636.31	6/30/85	6.967%
10/12	Government of Tunisia	956,463.55	7/30/82	6.548%
10/13	Government of Honduras	796,461.38	6/30/81	6.318%
10/13	Government of Argentina	343,855.68	4/30/83	6.645%

On October 5, the Student Loan Marketing Association (SLMA) rolled over $15 million on a loan previously maturing with the Bank. The loan matures January 11, 1977, and bears interest at a rate of 5.350%. SLMA borrowings are guaranteed by the Department of Health, Education and Welfare

On October 5, the FFB purchased a $300 million 5-year Certification of Beneficial Ownership from the Farmers Home Administration. The maturity is October 5, 1981, and the interest rate is 7.231% on an annual basis. On the same day, the Bank purchased an additional $300 million 10-year Certificate. The maturity is October 5, 1991. The interest rate is 7.957% on an annual basis.

The National Railroad Passenger Service (Amtrak) made the following drawings against Note #7:

Date	Amount	Maturity	Interest Rate
10/8	$7,500,000.00	12/31/76	5.173%
10/12	7,500,000.00	12/31/76	5.124%

Amtrak borrowings from the Bank are guaranteed by the Department of Transportation.

On October 15, the Tennessee Valley Authority borrowed $55 million. The loan matures January 31, 1977; and bears interest at a rate of 5.135%.

Federal Financing Bank loans outstanding on October 15, 1976 totaled $26.5 billion.

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e Department of the TREASURY NEWS
HINGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE AT 3:30 P.M. November 2, 1976

TREASURY'S 52-WEEK BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for $3,245 million, or thereabouts, of 365-day Treasury bills to be dated November 15, 1976, and to mature November 15, 1977 (CUSIP No. 912793 H6 6). The bills will be issued for cash and in exchange for Treasury bills maturing November 15, 1976.

This issue will not provide new money for the Treasury as the maturing issue is outstanding in the amount of $3,245 million, of which $1,890 million is held by the public and $1,355 million is held by Government accounts and the Federal Reserve Banks for themselves and as agents of foreign and international monetary authorities. Additional amounts of the bills may be issued to Federal Reserve Banks as agents of foreign and international monetary authorities. Tenders from Government accounts and the Federal Reserve Banks for themselves and as agents of foreign and international monetary authorities will be accepted at the average price of accepted tenders.

The bills will be issued on a discount basis under competitive and non-competitive bidding, and at maturity their face amount will be payable without interest. They will be issued in bearer form in denominations of $10,000, $15,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value) and in book-entry form to designated bidders.

Tenders will be received at Federal Reserve Banks and Branches and from individuals at the Bureau of the Public Debt, Washington, D. C. 20226, up to one-thirty p.m., Eastern Standard time, Tuesday, November 9, 1976. Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. 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.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others 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

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dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. 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 $500,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank or Branch or at the Bureau of the Public Debt on November 15, 1976, in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 15, 1976. 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.

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 considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of bills (other than life insurance companies) issued hereunder must include in his Federal income tax return, as ordinary gain or loss, the difference between the price paid for the bills, whether on original issue or on subsequent pruchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made.

Department of the Treasury 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, or from the Bureau of the Public Debt.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE November 3, 1976

COUNTRIES WHICH MAY REQUIRE PARTICIPATION IN OR COOPERATION WITH AN INTERNATIONAL BOYCOTT

In accordance with the requirements of Section 1067(b) of the Tax Reform Act of 1976, the Secretary of the Treasury today issued a list of countries which may require participation in or cooperation with an international boycott within the meaning of Section 999(b) of the Internal Revenue Code of 1954.

The list, also published in the Federal Register, consists of the following countries:

Bahrain
Egypt
Iraq
Jordan
Kuwait
Lebanon
Libya
Oman
Qatar
Saudi Arabia
Syria
United Arab Emirates
Yemen Arab Republic
Yemen, Peoples Democratic Republic of

Pursuant to the Tax Reform Act of 1976, a current list of countries which require or may require participation in or cooperation with an international boycott within the meaning of Section 999(b) of the Internal Revenue Code of 1954 will be published at least quarterly.

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he Department of the TREASURY NEWS
ASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE November 3, 1976

RESULTS OF AUCTION OF 3-YEAR TREASURY NOTES

The Treasury has accepted $3,001 million of $5,386 million of tenders received from the public for the 3-year notes, Series K-1979, auctioned today.

The range of accepted competitive bids was as follows:

Lowest yield	6.32%	1/
Highest yield	6.37%	
Average yield	6.36%	

The interest rate on the notes will be 6-1/4%. At the 6-1/4% rate, the above yields result in the followng prices:

Low-yield price	99.811
High-yield price	99.677
Average-yield price	99.704

The $3,001 million of accepted tenders includes 51% of the amount of notes bid for at the highest yield and $ 563 million of noncompetitive tenders accepted at the average yield.

In addition, $ 353 million of tenders were accepted at the average-yield price from Government accounts and Federal Reserve Banks for their own account in exchange for notes maturing November 15, 1976, ($70 million) and from Federal Reserve Banks as agents for foreign and international monetary authorities for new cash ($283 million).

1/ Excepting 1 tender of $1,005,000

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE November 3, 1976

TREASURY SETS OPEN MEETING ON PROPOSED BOOK-ENTRY REGULATIONS

An open meeting to discuss proposed Treasury regulations to accelerate a program to place all of its marketable securities on a book-entry system, eliminating issuance of engraved certificates, will be held at 2 p.m., Monday, November 15, in Room 4121, Main Treasury Building.

Comment on the regulations, published in the Federal Register November 1, must be submitted on or before November 24, 1976, to the Bureau of the Public Debt, Washington, D. C., 20226.

More than 80 percent of the marketable public debt is currently held in book-entry form under a system initiated in 1968 by the Treasury and the Federal Reserve Banks.

Book-entry is a modern, efficient, safe and expeditious method of dealing in securities that is compatible with the computer age. It is an answer to the paperwork crisis created by the mounting volume of public debt transactions; it protects the investor against loss, theft, and counterfeiting; and it substantially reduces the cost of issuing, storing and delivering Treasury securities.

The proposal to completely eliminate the use of definitive securities in public debt borrowings will begin next month with issuance of 52-week bills. Exceptions will be made only for a small number of institutional investors prevented by law or by regulation from holding securities in book-entry form. Definitive bills of $100,000 denomination will be available to such investors for a limited period of time.

It is anticipated that offerings of 26-week bills and 13-week bills in book-entry form only will follow during the first nine months of 1977. Later, the program will be extended to marketable Treasury bonds and notes.

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As part of its program for the discontinuance of definitive Treasury bills, the Treasury will offer direct book-entry custody accounts to those investors who prefer not to deal through commercial banks or other financial institutions. Tenders for such book-entry bills may be submitted to the Bureau of the Public Debt, either directly, through a Federal Reserve Bank or Branch, or through an institution dealing in Treasury securities. Investors may also arrange for the transfer of outstanding eligible issues to a book-entry account at the Treasury. While such accounts will be established and maintained without charge to the investor, there will be some limitations on the services the Treasury will provide.

The Treasury and Federal Reserve Banks are continuing their efforts of recent months to explain the operation of the proposed system to financial institutions, securities dealers, investors and other interested parties. A special effort will be made to familiarize the general public with the system prior to its inception in December. Additional details concerning the system will be announced in advance of that time.

The new Treasury regulations published in the Federal Register are listed in Department Circular, Public Debt Series 26-76.

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the Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE November 4, 1976

The Secretary of the Treasury issued today guidelines, consisting of questions and answers, relating to provisions of the Tax Reform Act of 1976 which deny certain tax benefits for participation in or cooperation with international boycotts. The Secretary also outlined procedures governing the issuance of guidelines (which may be in the form of questions and answers, examples or regulations), the making of determinations, and the publication of forms relating to the anti-boycott provisions.

Guidelines. The guidelines issued today may be used by taxpayers for guidance in resolving issues arising under section 999 of the Internal Revenue Code (the Code), as enacted in the Tax Reform Act of 1976. The Internal Revenue Service will follow the guidelines in requiring the filing of reports, in making determinations as to participation in or cooperation with a boycott, and in computing the loss of tax benefits of a participating or cooperating person. These guidelines may be changed by additional guidelines. However, changes adverse to taxpayers will apply only to the filing of reports, the determination of participation in or cooperation with a boycott, and the computation of the loss of tax benefits, for periods beginning after publication of the change. Written comments on the earliest practicable date are

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invited on these guidelines and should be submitted in duplicate to: Assistant Secretary for International Affairs, U.S Treasury Department, Washington, D.C. 20220; and Assistant Secretary for Tax Policy, U.S. Treasury Department, Washington, D.C. 20220.

Future Guidelines. Additional guidelines under section 999 of the Code, which may take the form of further questions and answers, examples and/or regulations, will be prepared by the Assistant Secretary for International Affairs and the Assistant Secretary for Tax Policy. The Assistant Secretary for International Affairs will take the initiative in preparing guidelines relating to the definition of boycott participation and cooperation set forth in sections 999(b)(3) and 999(b)(4) of the Code. The Assistant Secretary for Tax Policy will take the initiative in preparing guidelines concerning other aspects of section 999 of the Code. Guidelines will be approved and published by the Secretary of the Treasury.

Determinations. Under section 999(d) of the Code, upon application by a taxpayer, determinations shall be made with respect to whether a particular operation constitutes participation in or cooperation with an international boycott. Requests for determinations should be addressed to the Commissioner of the Internal Revenue, under procedures to be published shortly.

Pending the issuance of final regulations, determinations will be made concerning issues specifically addressed in the published guidelines. If an issue arises which is not specifically addressed in the published guidelines, the Internal Revenue Service will not make a determination until the issue has been brought to the attention of the Assistant Secretary for International Affairs and the Assistant Secretary for Tax Policy and a new or modified guideline which addresses the issue is published by the Secretary so that a determination can be made. Taxpayer-requested determinations will be made public with due regard to the confidentiality of the identity and information submitted by the taxpayer, under the procedures set forth in section 6110 of the Code.

Reporting Form. The staffs of the Internal Revenue Service and the Assistant Secretary for Tax Policy are developing an appropriate form for the report required of persons under section 999(a) of the Code. The form (Form 5713) will be published early in 1977.

List of Countries. The countries which currently require or may require participation in or cooperation with an international boycott (within the meaning of section 999(b)(3)) are listed below. (See also the Federal Register for November 3, 1976):

Bahrain
Egypt
Iraq
Jordan
Kuwait
Lebanon
Libya
Oman
Qatar
Saudi Arabia
Syria
United Arab Emirates
Yemen Arab Republic
Yemen, Peoples Democratic Republic of

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GUIDELINES

Boycott Provisions (section 999)
of the Internal Revenue Code

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H. Definition of an Agreement to Participate in or Cooperate with a Boycott (section 999(b)(3))

I. Refraining from Doing Business with or in a Boycotted Country (section 999(b)(3)(A)(i))

J. Refraining from Doing Business with any United States Person Engaged in Trade in a Boycotted Country (section 999(b)(3)(A)(ii))

K. Refraining from Doing Business with any Company Whose Ownership or Management is Made Up, in Whole or in Part, of Individuals of a Particular Nationality, Race or Religion (section 999(b)(3)(A)(iii))

L. Refraining from Employing Individuals of a Particular Nationality, Race or Religion (section 999(b)(3)(A)(iv))

M. As a Condition of the Sale of a Product, Refraining from Shipping or Insuring that Product on a Carrier, Owned, Leased, or Operated by a Person who does not Participate in or Cooperate with an International Boycott (section 999(b)(3)(B))

In the questions and answers:

(a) Company A and Company B are companies organized under the laws of one of the states of the United States,

(b) Country X is a boycotting country, which, _inter alia_, boycotts Country Y;

(c) Country Y is a country boycotted by Country X;

(d) All references to "Sections" are to Sections of the Internal Revenue Code, as amended by the Tax Reform Act of 1976; and

(e) In parts H-M the answer which follows each question takes into account only the action described in the question and no other. Most questions and answers refer to a type of conduct which is referred to in section 999(b)(3) or section 999(b)(4). In many of these questions and answers the result would be the same if another type of conduct also referred to in section 999(b)(3) or section 999(b)(4) were substituted for the particular type of conduct referred to in the question. For example, in Question and Answer H-10 the result would be the same if "individuals of race R" were substituted for "individuals of religion R".

It should be recognized that in instances where the action described in the question by itself does not, according to the answer, provide sufficient evidence to support an inference that an agreement under section 999(b)(3) exists, an overall course of conduct which includes such action in addition to other actions could support such an inference.

A. Boycott Reports.

A-1. Q: Who must report as required by section 999(a)?

A: Generally, any United States person (within the meaning of section 7701(a)(30)), or any other person (within the meaning of section 7701(a)(1)) that either claims the benefit of the foreign tax credit under section 901, or owns stock of a DISC, is required to report under section 999(a) if it --

a. has operations; or

b. is a member of a controlled group, a member of which has operations; or

c. is a United States shareholder (within the the meaning of section 951(b)) of a foreign corporation that has operations; or

d. is a partner in a partnership that has operations; or

e. is treated under section 671 as the owner of a trust that has operations

in or related to a country (or with the government, a company, or a national of a country) (i) which is on the list maintained by the Secretary under section 999(a)(3) or (ii) in which it has operations and which it knows or has reason to know requires participation in or cooperation with an international boycott as a condition of doing business therein (or with the government, a company or a national thereof) unless such participation or cooperation is sanctioned by section 999(b)(4) (A), (B) or (C). (For the definition of operations in or related to a country, see the questions under part B.) Additionally, if a person controls a corporation (within the meaning of section 304(c)), then under section 999(e) that person must report whether the corporation had reportable operations, whether the corporation reported such operations, and whether the corporation participated in or cooperated with the boycott. The corporation must make the same reports with respect to the operations and reports of the person controlling it.

A-2. Q: Do the reporting requirements of section 999(a) which refer to "United States shareholders" of foreign corporations require U.S. minority shareholders to report on the operations of such foreign corporations?

A: Yes. Under section 951(b) the term "United States shareholder" includes any United States person who owns (within the meaning of section 958(a)) or is considered as owning (by the application of the rules of ownership of section 958(b)), 10 percent or more of the total combined voting power of all classes of stock entitled to vote of such foreign corporation. The reporting requirement applies even if the United States shareholder is a minority shareholder and even if the foreign corporation is not a controlled foreign corporation within the meaning of section 957(a).

A-3. Q: If one member of a controlled group of corporations (within the meaning of section 993(a)(3)) files a report under section 999 with respect to the reportable operations of all members of that group, is this sufficient to discharge the reporting obligation of all members of the group?

A: Yes, provided that the common parent (as defined in the regulations under section 1504) files a consolidated return and the report on behalf of all members of the controlled group. In the absence of a consolidated return, each member of the controlled group must individually file the section 999 report. If a consolidated return is filed on behalf of some members of the controlled group, only one report need be filed with respect to those members. However, each other member must individually file the report.

A-4. Q: If one United States shareholder of a foreign corporation files a report under section 999 in respect of the reportable operations of the foreign corporation, is this sufficient to discharge the reporting obligations of all United States shareholders of the foreign corporation in respect of that corporation's operations?

A: No. Each United States shareholder of a foreign corporation must file the section 999 report in respect of the activities of that corporation. However, if two or more United States shareholders of the foreign corporation are included in the same consolidated return, only one report need be filed with respect to all United States shareholders included in the return.

A-5. Q: How will the reporting requirements under section 999(a), "International Boycott Reports by Taxpayers", be satisfied?

A: A taxpayer required to file an international boycott report under section 999(a) will fulfill this requirement by filing a new IRS Form 5713, "International Boycott Report Form", and all applicable supporting schedules and forms contained in the taxpayer's income tax returns which indicate the amounts and computations of benefits denied under sections 908, 952(a) and 995(b)(1) of the Internal Revenue Code. Form 5713, the only new IRS form pertaining to the international boycott provision, will be available early in 1977. Existing Form 1118 (Foreign Tax Credit), Form 1120-DISC (DISC Income), and Form 3646 (Subpart F Income) will contain new line entries to reflect tax benefits denied under the boycott provisions.

A-6. Q: What degree of confidentiality will the international boycott reports submitted by taxpayers receive?

A: The reports by taxpayers will be submitted as part of the income tax return and, therefore, will be accorded the same degree of confidential treatment under section 6103 as any other information contained in an income tax return.

A-7. Q: Where and how should the "International Boycott Report Form" be filed?

A: The "International Boycott Report Form", Form 5713, should be filed in duplicate by all reporting taxpayers. One copy of Form 5713 should be sent to the Internal Revenue Service Center, 11601 Roosevelt Blvd., Philadelphia, Pennsylvania, 19155, and the other copy of Form 5713 should be attached to the taxpayer's income tax return which is filed with the taxpayer's customary Internal Revenue Service Center.

A-8. Q: Do individuals as well as corporations use Form 5713, "International Boycott Report Form"?

A: Yes. All taxpayers required to file a report under section 999(a) will use IRS Form 5713. However, some parts of the form apply to corporations only; individual taxpayers can ignore these parts and complete only the questions relevant to individuals (unless under section 999(e) the participation in or cooperation with the international boycott by a corporation is attributable to that individual). While all taxpayers reporting under section 999(a) are required to file Form 5713, the filing of Form 5713 does not necessarily fulfill all of the reporting requirements under section 999(a) (see the answer for Question A-5).

A-9. Q: Section 999(b)(4) permits a person to agree to comply with certain laws without being treated as having agreed to participate in or cooperate with an international boycott. Company A agrees to comply with prohibitions on importation and exportation with respect to operations in or related to a country referred to in section 999(a)(1), as set forth in section 999(b)(4)(B) and section 999(b)(4)(C). Is Company A required to report the operations under such agreement on Form 5713, the "International Boycott Report Form"?

A: Yes, for the reasons stated in the answer to Question A-1, whether or not Company A agrees to comply with the prohibitions.

A-10. Q: Section 999(b)(4)(A) permits a person to meet requirements imposed by a foreign country with respect to an international boycott if United States law or regulations, or an Executive Order, sanctions participation in, or cooperation with, that international boycott. If a person's operations fall within this exception, is the person required to report such operations?

A: No. The reporting requirements with respect to operations under such international boycott agreements are waived.

A-11. Q: If Company A sells goods or services to Company B (or does other business with Company B) and Company B and Company A are unrelated, and Company A knows or has reason to know that Company B in turn will sell these goods or services for use in an international boycott enforcing country (within the meaning of section 999(b)(3)), and further, Company B participates in or cooperates with such boycott, is Company A required to report with respect to such operations?

A: No. Although such operations are related to a boycotting country (see the answer for Question B-1), the reporting requirements are waived for Company A, provided that Company A does not receive a request or participate in or cooperate with an international boycott under section 999(a)(2) or section 999(b)(3).

A-12. Q: Company A is a U.S. shareholder (within the meaning of section 951(b)) of Company C, a foreign corporation. Company A has a taxable year ending January 31, and Company C has a taxable year ending June 30. Both companies have operations in Country X, which is on the list maintained pursuant to section 999(a)(3). Who should file Form 5713 and for what period?

A: As indicated in the answer to Question A-1, Company C need not file Form 5713 unless it claims the benefit of the foreign tax credit under section 901 or owns stock of a DISC. Company A must file Form 5713 for periods ending January 31, and must report operations of Company C during Company C's taxable year ending within the period covered by Company A's report.

A-13. Q: In the case of a controlled group, what period of time is the international boycott report to cover, and when is the "International Boycott Report Form", Form 5713, to be filed?

A: For purposes of reporting and for purposes of determining the international boycott factor, all persons described in the answer to Question A-1 are to report all reportable operations by all members of the controlled group (or by any foreign corporation with a United States shareholder who is a member of the controlled group) for the taxable years of such members which end with or within the taxable year of the controlled group's common parent. In the event no common parent exists, the members of the controlled group are to elect the tax year of one of the members to serve as the common tax year for the group. It is contemplated that procedures for making an election will be specified in the instructions of the "International Boycott Report Form", Form 5713. The taxable year election is a binding election to be made once, with subsequent elections for alternative tax years granted only with the approval of the Secretary of the Treasury.

Individual members of the controlled group will continue to use their normal tax years for all other purposes, including adjustments required under sections 908, 952(a), and 995(b)(1). When the international boycott factor is used, the consolidated boycott factor, for that year, will be applied to the normal tax year of each taxpayer for determining adjustments under sections 908, 952(a), and 995(b)(1).

The income tax year of a taxpayer may differ from the reporting period covered by the "International Boycott Report Form". Therefore, the Form 5713 which is attached to, and filed with, the income tax return of the taxpayer will be the Form 5713 for the reporting year ending with or within the tax year of the taxpayer.

B. Definition of "Operations".

B-1. Q: Under what circumstances does a person have operations in, or related to, a boycotting country (or with the government, a company, or a national of that country)?

A: A person has operations in, or related to, a boycotting country (or with the government, a company, or a national of that country) if the operation in which it engages:

1. is carried on in whole or part in a boycotting country ("in a country");

2. is carried on outside a boycotting country either for or with the government, a company, or a national of a boycotting country ("with the government, a company, or a national of a country"); or

3. is carried on outside a boycotting country for the government, a company, or a national of a non-boycotting country if the person having the operation knows or has reason to know that a specific good or service produced by the operation is intended for use in a boycotting country or for the government, a company, or a national of a boycotting country ("related to a country").

The term "operation" encompasses all forms of business or commercial activities whether or not productive of income, including, but not limited to, sales; purchases; banking, financing and similar activities; extracting; processing; manufacturing; production; construction; transportation; activities ancilliary to the foregoing (e.g., contract negotiating, advertising, site selecting, etc.); and the performance of services, whether or not ancilliary to the foregoing.

Operations described in principles 2 and 3 are illustrated in the following two examples:

(a) Company A engages in a joint venture manufacturing operation in a non-boycotting country with Company C, a company incorporated under the laws of Country X. Company A has operations "with" a company of a boycotting country.

(b) D, a national of a non-boycotting country has a contract to construct a dam in Country X. D subcontracts to Company A for the manufacture of a generator for the dam. The contract between D and Company A and the generator specifications indicate that the generator is for use in Country X.

The contract specifies delivery of the generator to D f.o.b. New York. Company A has operations "related to" a boycotting country.

C. <u>Definition of "Reason To Know" Requirement of Boycott Participation</u>.

C-1. Q: Under what circumstances, in the absence of a Treasury listing of a country, will it be deemed under section 999(a)(1)(B) that a person knows or has reason to know that participation in or cooperation with an international boycott is required as a condition of doing business within such country or with the government, a company, or a national of such country?

A: A person will be deemed to know or have reason to know that a country requires participation in or cooperation with an international boycott as a condition of doing business within a country or with the government, a company, or a national of a country, if that person receives what could be interpreted as an official request of that country to participate in or cooperate with an international boycott or if that person knows that others have received such requests. Whether a request could be interpreted as an official request of a country depends on an analysis of the facts and circumstances surrounding the request. However, the request need not be made directly by a government official or representative in order to be interpreted as an official request. Thus, for example, assume that Company A has a contract with the government of a boycotting country to build a dam in that country and is required under the contract to require its subcontractors to agree to participate in or cooperate with the boycott. Assume further that Company A requires Subcontractor B to make such an agreement as a condition of receiving the subcontract to build a generator for the dam. Company B will be deemed to have reason to know that participation in or cooperation with an international boycott is a condition of doing business within the boycotting country or with the government, a company, or a national of such country.

D. <u>Definition of "Clearly Separate and Identifiable Operations"</u>.

D-1. Q: If a person or a member of a controlled group (within the meaning of section 993(a)(3)) enters into an agreement which constitutes participation in or cooperation with an international boycott (within the meaning of section 999(b)(3)), what operations of that person or group will be considered as operations in connection with which such participation or cooperation occurred?

A: All operations of such person or such group in

(a) that country in connection with which the agreement is made; and

(b) any other country which requires participation in or cooperation with that boycott with respect to which the agreement is made;

will be presumed to be operations in connection with which there was participation in or cooperation with an international boycott. This presumption may be rebutted, however, if the person or group demonstrates that a particular operation is a clearly separate and identifiable operation from the operation with respect to which the agreement was made, and that no agreement constituting participation in or cooperation with an international boycott was made with respect to such separate and identifiable operation.

The presumption of participation in or cooperation with the boycott will not apply with respect to operations outside of the countries described in (a) and (b) above, but such operations will be considered as operations involving participation in or cooperation with the boycott if so warranted by the facts.

D-2. Q: Who has the burden of proof with respect to establishing whether a particular operation is a "clearly separate and identifiable operation" and whether there was participation in or cooperation with an international boycott in connection with that operation?

A: Where a person or a member of a controlled group has participated in or cooperated with an international boycott in connection with one or more of its operations, that person (or if applicable the U.S. shareholder of a foreign corporation) or that group bears the burden of proof of establishing that any other operation is clearly separate and identifiable from the operation with respect to which participation or cooperation occurred <u>and</u> that no such participation or cooperation occurred with respect to the separate and identifiable operation.

D-3. Q: How can a taxpayer determine what constitutes a "clearly separate and identifiable operation"?

A: The determination whether an operation constitutes a clearly separate and identifiable operation must be based on an examination of all the facts and circumstances. The following factors may be considered in determining whether an operation is clearly separate and identifiable from an operation with respect to which participation in or cooperation with an international boycott occurred:

1. Were the two operations conducted by different corporations, partnerships, or other business entities?

2. Were the operations, whether conducted by separate entities or not, supervised by different management personnel?

3. Did the operations involve distinctly different products or services?

4. Were the operations undertaken pursuant to separate and distinct contracts?

5. If business operations in the countries conducting the international boycott in question were not continuous over time, was each transaction separately negotiated and performed?

The application of these factors may be illustrated by the following examples:

(a) Company A contracts with Country X to build several major buildings in Country X. Company A has never engaged in any business in Country X prior to such contract. Nine months later Company A enters into a second contract with Country X to build a large dock facility in Country X. Construction of the dock facility will constitute an operation separate and identifiable from construction of the buildings.

(b) Company A contracts, as general contractor, to build a pipeline in Country X. In connection with the construction of the pipeline, Company A must retain engineering consultants. Company C, a U.S. company and a member of the same controlled group of which Company A is a member, is engaged in the business of providing engineering consulting services to both related and unrelated parties. Company A retains Company C to provide such services with respect to the pipeline construction. The engineering consulting services provided by Company C will constitute an operation separate and identifiable from the construction of the pipeline.

(c) Company A markets electronic computers and medical diagnostic equipment in Country X. The two product lines, computers and medical equipment, are handled by representatives of two separate divisions which are located in different offices. The managers of each division report to different superiors in the United States. The activities of Company A with respect to the sale of computers will constitute a separate and identifiable operation from Company A's activities in connection with the sale of medical equipment.

(d) Company A imports and sells motor vehicles in Country X. Company A maintains a national office and import depot at a major port in Country X and has five sales offices located in various cities in Country X. The managers of the sales offices are authorized to handle local matters relating to maintaining the offices and are subject to the close supervision and inspection of national office personnel. For internal accounting purposes, Company A treats each sales office as a profit center, charging each office for its inventory and a proportional share of corporate overhead. The marketing activities of the various sales offices do not constitute operations separate and identifiable from each other, nor do the marketing activities of Company A as a whole constitute an operation separate and identifiable from the import and distribution activities of Company A.

(e) Company A markets appliances, such as refrigerators, washers and dryers, and home entertainment equipment, such as televisions and tape recorders, in Country X. The appliances are manufactured in Country X by Company C, a U.S. company wholly owned by Company A, and the home entertainment equipment is manufactured in Country X by Company D, also a U.S. company wholly owned by Company A. Company A purchases the production of Company C and Company D for resale to independent retailers who generally handle both lines of products. The boards of directors of Companies A, C, and D are composed of the same individuals and the same individual serves as president of each company. The products of Companies C and D are manufactured in the same plant, and the executive offices of Companies A, C, and D are all located in a building adjacent to that plant. The respective activities of Companies A, C, and D do not constitute clearly separate and identifiable operations.

E. Effective Date Provisions.

E-1. Q: What are the effective dates of the reporting requirements and sanctions of the international boycott provisions?

A: Generally, the reporting requirements and the sanctions of the international boycott provisions apply to agreements to participate in or cooperate with an international boycott, made after November 3, 1976, and to agreements made on or before November 3, 1976, that continue in effect thereafter. However, there are two exceptions to this general rule. First, the reporting requirements of section 999(a) apply to operations referred to in section 999(a)(1) or (2) after November 3, 1976, whether or not there has been an agreement to participate in or cooperate with an international boycott, and whether or not the operations are carried out in accordance with the terms of a binding contract entered into before September 2, 1976. Operations on or before November 3, 1976, are reportable if there has been participation in or cooperation with the boycott during the taxable year but after November 3, 1976 (see the answer to Question E-2). Second, in the case of operations carried out in accordance with the terms of a binding contract entered into before September 2, 1976, the sanctions of the international boycott provisions apply only to agreements to participate in or cooperate with an international boycott made on or after September 2, 1976, and to agreements made before that date that continue in effect after December 31, 1977.

E-2. Q: If a person who reports his tax liability on a calendar year basis makes an agreement on November 20, 1976, to participate in or cooperate with an international boycott, which of that person's operations conducted during the taxable year are reportable, which operations are included in the international boycott factor calculations, and how are the sanctions applied?

A: All operations of the person during the entire 1976 taxable year (including pre-November 20, 1976, operations) in or related to a boycotting country or with the government, a company, or a national of such country must be reported under section 999(a) and will be considered in calculating the international boycott factor (or the amount of taxes or income specifically attributable to operations in which there was participation in or cooperation with an international boycott) for the taxable year. However, under section 999(c)(1), operations for which the presumption of participation in or cooperation with the boycott has been rebutted need not be reflected in the numerator of the international boycott factor (or under section 999(c)(2), the tax benefits specifically attributable to specific operations for which that presumption has been rebutted will not be denied).

The sanctions are applied to the year 1976 on a pro rata basis. If a person uses the international boycott factor for 1976, the factor is applied under sections 908, 952(a), and

995(b)(1), after it has been multiplied by the fraction 58/366, representing the number of days after the November 3, 1976, effective date remaining during the calendar year. If a person identifies specifically attributable taxes and income, the tax benefits denied under sections 908, 952(a), and 995(b)(1) are computed by first ascertaining the tax benefits of the foreign tax credit, deferral, and DISC respectively for the taxable year attributable to operations for which the presumption of boycott participation has not been rebutted, and then multiplying that amount by 58/366.

E-3. Q: If a person having a July 1-June 30 taxable year carries out operations in accordance with the terms of a binding contract entered into before September 2, 1976, and, in furtherance of that contract, makes an agreement on February 15, 1978, to participate in or cooperate with an international boycott, which of the person's operations conducted during the taxable year July 1, 1977 - June 30, 1978, are reportable, which operations are included in the international boycott factor calculations, and how are the sanctions applied?

A: All operations of the person during the entire July 1, 1977 - June 30, 1978, taxable year (including pre-February 15, 1978, operations) in or related to a boycotting country or with the government, a company, or a national of such country, must be reported under section 999(a) and will be considered in calculating the international boycott factor (or the amount of taxes or income specifically attributable to operations in which there was participation in or cooperation with an international boycott) for the taxable year. However, under section 999(c)(1), operations for which the presumption of participation in or cooperation with the boycott has been rebutted need not be reflected in the numerator of the international boycott factor, and, under section 999(c)(2), the tax benefits specifically attributable to specific operations for which that presumption has been rebutted will not be denied.

The sanctions are applied to the July 1, 1977 - June 30, 1978, taxable year on a pro rata basis. If a person uses the international boycott factor for the taxable year, the factor is applied under sections 908, 952(a), and 995(b)(1) after it has been multiplied by the fraction 181/365, representing the number of days after the December 31, 1977, effective date remaining during the taxpayer's taxable year. If a person identifies specifically attributable taxes and income, the benefits to be denied under sections 908, 952(a), and 995(b)(1) are computed by first ascertaining the tax benefits of the foreign tax credit, deferral, and DISC respectively for the taxable year attributable to operations for which the presumption of boycott participation has not been rebutted, and then multiplying that amount by 181/365.

E-4. Q: What is a binding contract for purposes of the binding contract rule?

A: A binding contract with respect to a person, a member of a controlled group which includes that person, or a foreign corporation of which that person is a United States shareholder is a contract which was, on September 1, 1976, and is at all times thereafter, binding on that person, foreign corporation or member, and under which all material terms are fixed or are ascertainable with reference to an objectively determinable standard.

E-5. Q: If, under a binding contract existing before September 2, 1976, a person agreed to refrain from an activity described in section 999(b)(3), will operations under the contract be subject to the international boycott provisions in years after 1977?

A: Yes, unless the person establishes that, before December 31, 1977, he renounced the agreement to participate in or cooperate with the boycott, that the renunciation was communicated to the government or person with which the agreement was made, and that the agreement was not reaffirmed after 1977.

E-6. Q: If, under a contract made in 1979, a person who reports his tax liability on a calendar year basis agrees to refrain from an activity described in section 999(b)(3), but does not continue to refrain from such activity after

1980, will operations under the contract be subject to the international boycott provisions in years after 1980?

A: Yes, unless the person establishes that, before December 31, 1980, he renounces the agreement to participate in or cooperate with the boycott, that the renunciation is communicated to the government or person with which the agreement was made, and the agreement is not reaffirmed after 1980.

E-7. Q: If, under a contract made after January 1, 1977, a person agreed to refrain from an activity described in section 999(b)(3), and later renounced the agreement and communicated such renunciation to the government or person with which the agreement was made, which operations of such person during the taxable year of the renunciation are reportable, which operations are included in the international boycott factor calculations, and how are the sanctions to be applied?

A: All operations of the person during the entire taxable year within which the agreement was renounced (including post-renunciation operations) in or related to a boycotting country or with the government, a company, or a national of such country must be reported under section 999(a) and will be considered in calculating the international boycott factor (or the amount of taxes or income specifically attributable to operations in which there was participation in or cooperation with an international boycott) for the taxable year. However, under section 999(c)(1), operations for which the presumption of participation in or cooperation with the boycott has been rebutted need not be reflected in the numerator of the international boycott factor, and the tax benefits specifically attributable to specific operations for which such presumption has been rebutted will not be denied. There is no proration between the pre-renunciation and post-renunciation portions of the taxable year of either the boycott factor or the specifically attributable taxes and income.

E-8. Q: Before September 2, 1976, Company A enters into a binding contract, which does not contain an agreement to boycott or by itself support an inference of the existence of an agreement to boycott. However, Company A's course of action in carrying out operations in accordance with the terms of the contract constitutes participation in or cooperation with an international boycott. Will the provisions of section 999 be applied to such participation or cooperation which takes place prior to January 1, 1978 (see section 1066(a) of the Tax Reform Act of 1976).

A: If the course of action from which the existence of the agreement was inferred took place before September 2, 1976, then the provisions of section 999 would not be applied to such participation in or cooperation with an international boycott which takes place prior to January 1, 1978. However, if the inference of the existence of the agreement would depend on action taken on or after September 2, 1976, then the provisions of section 999 would be applied to participation in or cooperation with the international boycott subsequent to November 3, 1976 (see section 1066(a)(1) of the Tax Reform Act of 1976).

F. International Boycott Factor.

F-1. Q: How will the international boycott factor be determined?

A: Section 999(c)(1) provides that the international boycott factor will be determined under regulations prescribed by the Secretary. The international boycott factor will be a fraction, the numerator of which reflects the operations of a person (or group) in or related to countries associated in carrying out the international boycott and the denominator of which reflects the person's (or group's) worldwide foreign operations. It is anticipated that regulations setting forth the method of determining the international boycott factor will be forthcoming in the near future and will provide that the international boycott factor will be determined with reference to three factors: purchases, sales, and payroll.

F-2. Q: In the case of a controlled group (within the meaning of section 993(a)(3)) is a single international boycott factor computed for the entire group?

A: Yes. All members of a controlled group share a single, common international boycott factor which reflects the operations of all members of the controlled group.

F-3. Q: Once an international boycott factor has been computed for a controlled group (within the meaning of section 993(a)(3)), how is the factor applied to individual members of the group?

A: The international boycott factor of a controlled group is applied separately under sections 908(a), 952(a), and 995(b)(1) to each individual member of the controlled group.

F-4. Q: If a person applies the international boycott factor to some operations during the taxable year, must the factor be applied to all operations of that person for the taxable year?

A: Yes. If a person applies the international boycott factor to one operation during the taxable year, the factor must be applied to all operations during the taxable year, under each of sections 908(a), 952(a), and 995(b)(1). If a person identifies specifically attributable taxes and income under section 999(c)(2), that method must be applied to all operations during this taxable year and applied under sections 908(a), 952(a), and 995(b)(1).

F-5. Q: In the case of a controlled group (within the meaning of section 993(a)(3)), may one member use the international boycott factor under section 999(c)(1) and another member identify specifically attributable taxes and income under section 999(c)(2)?

A: Yes. Each member may independently choose either to apply the international boycott factor under section 999(c)(1) or to identify specifically attributable taxes and income under section 999(c)(2).

G. Determinations.

G-1. Q: What degree of confidentiality will determinations, and requests for determinations, under section 999(d) receive?

A: A determination under section 999(d) will be treated as a "written determination" within the meaning of section 6110(b)(1). Therefore the determination and any background file document related thereto will be subject to public inspection in accordance with the rules set forth in section 6110, and subject to the deletions set forth in section 6110(c).

H. Definition of an Agreement to Participate in or Cooperate with a Boycott (section 999(b)(3)).

H-1. Q: Company A, a trading company, signs a contract with Country X to export goods to Country X. The contract contains a clause requiring Company A not to obtain any of the goods from any company listed in the clause as trading in Country Y. Does Company A's entering into the contract constitute an agreement according to section 999(b)(3)?

A: Yes. Entering into a written contract which includes a provision requiring Company A to refrain from taking an action described in section 999(b)(3)(A)(ii) constitutes an agreement according to section 999(b)(3).

H-2. Q: During the course of negotiations concerning a contract for the export of goods to Country X, Company A, a trading company, and Country X agree orally that Company A will refrain from purchasing any of the goods from any company included on a list shown to Company A's representatives and engaged in trade in Country Y. They also agree that this agreement will not be reflected in the written contract for the export of the goods or in any other writing. Does the oral understanding between Company A and Country X constitute an agreement according to section 999(b)(3)?

A: Yes. The oral understanding is an explicit agreement to refrain from taking an action described in section 999(b)(3)(A)(ii) and thus constitutes an agreement according to section 999(b)(3).

H-3. Q: Company A signs a contract with Country X to construct an industrial plant in Country X. The contract states that the laws, regulations, requirements or administrative practices of Country X will apply to Company A's performance of the contract in Country X. The customs laws, regulations, requirements or administrative practices of Country X prohibit the importation into Country X of goods manufactured by any company engaged in trade in Country Y or with the government, companies or nationals of Country Y. Does Company A's action constitute an agreement according to section 999(b)(3)?

A: No. The existence of an agreement will not be inferred solely from the inclusion in a contract of a provision stating that the laws, regulations, requirements or administrative practices of a country will apply to the performance of the contract in that country.

H-4. Q: The facts are the same as those in Question H-3, except that the contract states that Company A will comply with the laws, regulations, requirements or administrative practices of Country X in its performance of the contract in Country X. Does Company A's action constitute an agreement according to section 999(b)(3)?

A: Yes. Entering into a contract which requires compliance with the laws, regulations, requirements, or administrative practices of Country X constitutes an agreement according to section 999(b)(3), if some of those laws prohibit the importation into Country X of goods manufactured by any company engaged in trade in Country Y or with the government, companies or nationals of Country Y.

H-5. Q: Company A, a trading company, signs a contract with Country X to export goods to Country X. The contract contains no clause concerning a boycott, nor does it require the contractor to comply with the laws, regulations, requirements or administrative practices in Country X, which, among other things, prohibit the importation into Country X of goods manufactured by persons engaged in trade in Country Y. Company A refrains from purchasing any goods with which to fulfill its obligations under the contract from any U.S. company engaged in trade in Country Y or with the government, companies or nationals of Country Y. Does Company A's action constitute an agreement according to section 999(b)(3)?

A: No. Where there is no express agreement, the existence of an agreement will not be inferred solely from the fact that Company A has refrained, consistently with the laws, regulations, requirements or administrative practices of Country X, from purchasing goods with which to fulfill its obligations under the contract from any U.S. company engaged in trade in Country Y or with the government, companies or nationals of Country Y.

H-6. Q: Questions and Answers H-1, H-2, H-4, and H-5 all involve contracts for the export of goods by Company A to Country X and Company A's refraining from doing certain business with United States companies which are blacklisted by Country X because they engage in trade with Country Y.

The problem of whether an agreement existed for purposes of section 999(b)(3) would be resolved in the same way as in each of the Answers above were the contract for (a) the supply of services; or (b) a construction project in Country X and Company A refrains from doing business with Country Y, or refrains from doing business with United States companies which are blacklisted by Country X because they engage in trade in Country Y or with the government, companies or nationals of Country Y.

H-7. Q: (a) Company A incorporates a subsidiary in Country X. In the documents submitted by Company A relating to the incorporation of the subsidiary there is a general acknowledgement that the subsidiary is subject to the laws, rules, regulations and administrative practices of Country X.

(b) Company A establishes a branch in Country X. In the documents relating to its registration of the branch there is a general acknowledgement that the laws, rules, regulations and administrative practices of Country X apply to the branch.

Included in the laws, regulations, requirements or administrative practices of Country X is a requirement that companies incorporated in Country X and branches registered in Country X refrain from doing business with any person engaged in trade in Country X. Does either the acknowledgement of the subsidiary or the undertaking of the branch constitute an agreement by Company A for purposes of section 999(b)(3)?

A: No as to both the subsidiary and the branch. The mere acknowledgement in incorporation or registration documents of the general applicability of the laws of a boycotting country will not support the inference of the existence of an agreement under section 999(b)(3). However, if in either instance, there was an undertaking to comply with the laws of that country, it would constitute an agreement under section 999(b)(3).

H-8. Q: Company A, a trading company, signs a contract with Country X to export goods to Country X. The contract contains no clause concerning a boycott, nor does it require the contract to be carried out in accordance with the laws, regulations, requirements or administrative practices of Country X, which prohibit the importation into Country X of goods manufactured by persons engaged in trade with Country Y. At the time it exports the goods from the United States, Company A provides Country X (or the U.S. bank which confirms the letter of credit under which Company A is to be paid for the goods and which requires such certificate as a condition of payment) with a certificate that the goods were not manufactured by a person engaged in trade in Country Y or with the government, companies or nationals of Country Y. Should the existence of an agreement for purposes of section 999(b)(3) be inferred from Company A's furnishing the certificate?

A: No. The existence of an agreement will not be inferred solely from the fact that Company A has furnished a certificate to the effect that the goods it is exporting were not manufactured by a person engaged in trade in Country Y or with the government, companies or nationals of Country Y.

H-9. Q: Company A signs a contract with Country X to carry out a construction project in Country X. The contract says nothing about the nationality, race or religion of the individuals who are to be employed to carry out the contract within Country X. However, Company A is aware that the laws, regulations, requirements or administrative practices of Country X may prohibit the issuance of visas by Country X to individuals of religion R to work on projects in that country. Therefore Company A excludes from consideration the employment of individuals of that religion to work on the project in Country X. Does Company A's action constitute an agreement according to section 999(b)(3)?

A: Yes. While Company A has not explicitly entered into an agreement to refrain from employing individuals who are of religion R, the existence of such an agreement will be inferred from its course of conduct. This agreement would constitute participation in or cooperation with an international boycott under section 999(b)(3)(A)(iv).

H-10. Q: Company A signs a contract for a construction project with Country X. The contract says nothing about the nationality, race or religion of the individuals who are to be employed to carry out the contract within Country X. However, Company A is aware that the laws, regulations, requirements or administrative practices of Country X may prohibit the issuance of visas to individuals of religion R. Company A in recruiting people for the project informs all applicants that if they cannot obtain a visa to enter Country X, their employment will be terminated. It employs several individuals of religion R who are unsuccessful in obtaining visas and who are subsequently terminated. Does Company A's action constitute an agreement according to section 999(b)(3)?

A: No. Company A has not refrained from employing individuals of religion R for the project. The existence of an agreement to refrain from employing individuals of religion R will not be inferred from Company A's action.

H-11. Q: The facts are the same as those in Question H-10, except that Company A makes its employment contracts with all individuals for work on the project subject to the condition that they obtain visas from Country X which will permit them to work in Country X. Few, if any, individuals of religion R to whom Company A offers employment in Country X are successful in obtaining visas. Does such action by Company A constitute an agreement according to section 999(b)(3)?

A: No. Company A has offered employment to all individuals who are able to obtain visas. If an individual is unable to obtain a visa, it is due to the requirements of Country X. The existence of an agreement by Company A will not be inferred from Company A's action.

H-12. Q: The facts are the same as those in Question H-10, except that no individuals of religion R are willing to accept employment on the terms offered by Company A. Does such action by Company A constitute an agreement according to section 999(b)(3)?

A: No, for the reasons given in Answer H-10.

H-13. Q: Company A signs a contract with Country X to carry out a construction project in Country X. The contract says nothing about who may or may not be a subcontractor to do certain work in Country X other than that Country X has the right to prior approval of any subcontractors. Does Company A's action constitute an agreement according to section 999(b)(3)?

A: No. The contract provision giving the project owner a right of prior approval does not itself constitute an agreement according to section 999(b)(3).

H-14. Q: Company A signs a contract with Country X to carry out a construction project in Country X. The contract specifies a number of permissible subcontractors.

All the subcontractors, in the view of Company A, are capable of carrying out work, but none of them appears on a list of U.S. and foreign companies which engage in trade in Country Y and which Country X's laws, regulations, requirements or administrative practices prohibit from working on projects in Country X. Company A has previously done business with each of the specified companies, but it has also done business with certain of the boycotted U.S. companies with which it has had satisfactory relations. Does Company A's action constitute an agreement according to section 999(b)(3)?

A: By entering into a contract which on its face indicates a pattern of exclusion of certain companies including U.S. companies with which Company A has no particular reason not to do business, it would appear that Company A has agreed to refrain from doing business with the boycotted U.S. companies, unless Company A is able to show that the boycotted U.S. companies were not included on the list for reasons not related to the boycott.

H-15. Q: Company A signs a contract with Country X to carry out a construction project in Country X. The contract provides that Country X is to engage all the subcontractors which are to be engaged from outside Country X but which are to perform all or part of their services in Country X. Company A, however, is given the right to disapprove any company which Country X proposes to engage for a subcontract. While the contract is being carried out, none of the companies which Country X proposes to prequalify or invite to bid are included on a list of U.S. companies which engage in trade in Country Y and which are therefore prohibited by Country X's laws, regulations, requirements or administrative practices from working on projects in Country X. Does Company A's action constitute an agreement according to section 999(b)(3)?

A: No. Under the language of the contract, Company A has not agreed to refrain from doing business with companies which are on the list of prohibited companies. The contract moreover does not give Company A the right to select subcontractors other than those nominated by Country X. Therefore, Company A's action does not constitute an agreement according to section 999(b)(3).

H-16. Q: Company A signs a contract for a construction project with Country X. The contract states that any disputes arising under the contract will be resolved in accordance with Country X's laws. The laws of Country X contain boycott provisions. Does Company A's action constitute an agreement according to section 999(b)(3)?

A: No. The provision that disputes will be resolved in accordance with Country X's laws does not constitute Company A's agreement to comply with Country X's boycott laws with respect to the carrying out of the contract.

H-17. Q: Company A receives an inquiry from Country X about certain goods which Company A manufactures. The inquiry also requests Company A to furnish information about the following matters: whether it does business with Country Y and whether it does business with any United States person engaged in trade in Country Y. Company A furnishes the requested information to Country X. Later Company A signs a contract with Country X to export goods to Country X. Does Company A's action constitute an agreement according to section 999(b)(3)?

A: No. By furnishing such information Company A has not agreed to take any action, as a condition of doing business with Country X, which is described in section 999(b)(3).

H-18. Q: Company A, a trading company, signs a contract with Country X to export goods to Country X. The contract contains a clause requiring Company A not to obtain any of the goods from any company listed in the clause as trading in Country Y. Company A, however, purchases some of the goods from one of the listed companies. Does Company A's entering into this contract constitute an agreement according to section 999(b)(3)?

A: Yes. Entering into a written contract which includes a provision requiring Company A to refrain from taking an action described in section 999(b)(3)(A)(ii) constitutes an agreement according to section 999(b)(3), even if Company A, fully or partially, does not abide by the boycott provisions.

H-19. Q: Company A signs a contract with Country X to export goods to Country X. Included in the contract is a provision that Company A will refrain from doing business with Country Y, which is boycotted by Country X. Company A has done considerable business with Country Y in the past, but soon after it concludes that contract with Country X its distributor in Country Y learning of the contract with Country X refuses to continue to handle Company A's products and Company A tries but is unable to conclude any other satisfactory distribution arrangement in Country Y. Does Company A's entering into this contract constitute an agreement according to section 999(b)(3)?

A: Yes, for the reasons given in Answer H-18.

H-20. Q: Company A has been unable to do business with Country X because Company A has been on a blacklist of companies maintained by an organization of countries to which Country X belongs. Company A agrees, as a condition of being removed from the list, to refrain from doing business with Country Y. Does Company A's agreement constitute an agreement according to section 999(b)(3)?

A: Yes. Even though Company A has not yet entered into a contract to do business with any boycotting country, it has agreed, as a condition for being in a position to do business with one or more of the countries maintaining the blacklist, to refrain from doing business with Country Y. This action constitutes an agreement according to section 999(b)(3).

H-21. Q: The facts are the same as those in Question H-20, except that Company A does several different types of business with Country Y. It is requested and agrees to refrain from doing only one of those types of business with Country Y and in fact continues to do the other types of business with Country Y. Does Company A's agreement constitute an agreement according to section 999(b)(3)?

A: Yes. An agreement to refrain from some, but not all, business with a boycotted country constitutes an agreement according to section 999(b)(3). Answer H-20 is also relevant in this context.

H-22. Q: Company A is doing business in Country X. It contracts with Company C which is not related to Company A, for Company C to build an office building for Company A's use in Country X. In the course of constructing the building, Company C participates in or cooperates with a boycott imposed by Country X. Does Company A's actions constitute an agreement according to section 999(b)(3)?

A: Unless Company A specifically directs or requires Company C to take specific action which constitutes participation in or cooperation with the boycott by Company C, Company C's action will not be attributable to Company A under section 999(b)(3), and Company A will not be deemed to be participating in or cooperating with an international boycott.

H-23. Q: Company A signs a contract with Country X for the export of goods to Country X. The contract does not contain any provisions as to which ships should be used for shipping the goods to Country X. The laws, regulations, requirements, or administrative practices of Country X do not permit the importation of goods aboard a ship owned by companies which trade in Country Y. Company A is aware of this requirement and ships the goods on the ships of a company which does not trade in Country Y. Does Company A's action constitute an agreement according to section 999(b)(3)?

A: No, for the reasons given in Answer H-5.

H-24. Q: Company A is competing for an industrial plant construction contract for which Country X is inviting international tenders. The tender documents contain a provision to the effect that Country X will not enter into the contract unless the successful tenderer certifies that in carrying out the contract it will refrain from doing business with a certain list of companies, including some U.S. companies, which do business with Country Y. Company A does not win the tendering, but in its tender it has indicated that it will sign a contract, in the form indicated in the tender documents, and has given Country X a tender bond to that effect. Does Company A's action constitute an agreement according to section 999(b)(3)?

A: No. Since its offer was not accepted, Company A has not entered into any agreement to refrain from doing business with the blacklisted companies which would constitute participation in or cooperation with an international boycott.

H-25. Q: Company A successfully prequalifies to tender for a contract for the construction of an industrial plant which will be owned by Country X. At the time it attempts to prequalify, Company A is required to state that it understands that the successful tenderer for the contract will have to agree not to do business in connection with the project with any blacklisted U.S. company or with the government, companies or nationals of Country Y. After it prequalifies, Company A decides not to tender for the contract. Does Company A's action constitute an agreement according to section 999(b)(3)?

A: No. Company A has not entered into an agreement to refrain from doing business with the blacklisted companies which would constitute participation in or cooperation with an international boycott.

H-26. Q: Company A competes for an industrial plant construction contract for which Country X is inviting international tenders. The tender documents contain a provision to the effect that Country X will not enter into a contract unless the successful tenderer certifies that in carrying out the contract it will refrain from doing business with any blacklisted U.S. company. Many companies on the blacklist are boycotted by Country X because they trade in Country Y or with the government, companies or nationals of Country Y. Company A wins the tender and successfully convinces Country X that the boycott clause can be deleted from the final contract since Company A had never dealt with any of the blacklisted companies and there is no commercial reason for it to do so in carrying out this particular contract. Does Company A's action constitute an agreement according to section 999(b)(3)?

A: Yes. Company A's assurance to Country X that it will refrain from doing business with the boycotted U.S. companies constitutes an agreement which is a participation in or cooperation with an international boycott according to section 999(b)(3)(A)(ii).

H-27. Q: Company A charters a vessel to Company C to be used by Company C in carrying its goods to Country X. Company C, at the request of Company A, agrees in the charter agreement not to take any action with respect to, or issue any orders to, the vessel which would result in limiting the vessel's ability to call at ports in Country X and/or subject the vessel to arrest or confiscation in Country X. Does the action of Company A and Company C constitute participation in or cooperation with an international boycott according to section 999(b)(3)?

A: No. In the agreement, Company A and Company C have not agreed to refrain from taking any of the actions enumerated in section 999(b)(3). Therefore, such action by Company A and Company C does not constitute participation in or cooperation with an international boycott, according to section 999(b)(3).

H-28. Q: Company A charters a vessel to Company C to be used by Company C in carrying its goods to or from specifically named ports, or a range of ports within a specified geographical area. Company A and Company C agree on a charter agreement which would, in effect, exclude trade by that vessel to a number of countries, including Country Y. Does the action of Company A and Company C constitute participation in or cooperation with an international boycott under section 999(b)(3)?

A: No, for the reasons given in Answer H-27 above.

H-29. Q: Company A signs a contract with Country X for the export of goods to Country X. The contract provides that Company A will not trade in Country Y, and that payment will be made by means of a letter of credit confirmed by Bank B in the United States. The contract requires Company A to provide to Bank B a certificate that it has complied with the boycott requirements before it can be paid by Bank B.

Bank B confirms the letter of credit and later makes payment to Company A after determining that all documents, including the boycott certificate, are in order. Does Bank B's action constitute participation in or cooperation with an international boycott under section 999(b)(3)?

A: No. Bank B's action does not constitute an agreement by it to refrain from any of the types of activities listed in section 999(b)(3)(A). Therefore it does not constitute participation in or cooperation with an international boycott by Bank B. (Company A's action does constitute participation in or cooperation with an international boycott by Company A according to section 999(b)(3)(A)(i).)

H-30: Q: Company A signs a contract with Country X for the supply of goods. The contract provides that Company A will not trade with Country Y, and that payment will be made by means of a letter of credit confirmed by Bank B in the United States provided that Bank B certifies to Country X that it will not confirm letters of credit relating to the export of goods to Country Y. Bank B confirms the letter of credit, after issuing the requested certificate. Does Bank B's action constitute participation in or cooperation with an international boycott under section 999(b)(3)?

A: Yes. Bank B has agreed to refrain from doing business with or in Country Y or with the government, companies or nationals of that country. This action constitutes participation in or cooperation with an international boycott according to section 999(b)(3)(A)(i).

I. Refraining from Doing Business with or in a Boycotted Country (section 999(b)(3)(A)(i)).

I-1. Q: Company A signs a contract with Country X for the export of certain goods to Country X. In that contract there is a provision that none of the goods to be provided thereunder shall come from Country Y. Does Company A's action constitute participation in or cooperation with an international boycott under section 999(b)(3)(A)(i)?

A: No. Company A in entering into such a contract is complying with the prohibition by Country X on the importation of goods produced in whole or in part in any country which is the object of an international boycott. Such action, according to section 999(b)(4)(B), does not constitute participation in or cooperation with an international boycott.

I-2. Q: Company A owns a number of ships. It understands that if one of its ships visits Country Y, that ship will thereafter be unable to visit Country X. Company A has some ships which visit Country Y but not Country X and other ships which visit Country X but not Country Y. Does Company A's action constitute participation in or cooperation with an international boycott under section 999(b)(3)(A)(i)?

A: No. Company A has not refrained from doing business with Country Y as some of its ships are still calling there. Therefore Company A's action does not constitute participation in or cooperation with an international boycott according to section 999(b)(3)(A)(i).

I-3. Q: Company A signs a contract with Country X, licensing a company in Country X to use certain of its patents and trademarks in Country X. The contract provides that Company A will not enter into an agreement with respect to the use in Country X of patents and trademarks with any nation of Country Y. Does Company A's action constitute participation in or cooperation with an international boycott under section 999(b)(3)(A)(i)?

A: Yes. Company A has agreed to refrain from doing business with any national of Country Y and such action constitutes participation in or cooperation with an international boycott according to section 999(b)(3)(A)(i).

I-4. Q: Same facts as in Question I-4, except that Company A has a number of other licensing agreements with Country Y and enters into still more such agreements after it signs the contract with Country X. Does Company A's action constitute participation in or cooperation with an international boycott under section 999(b)(3)(A)(i)?

A: Yes, for the same reasons as stated in Answer I-3 above. Answer H-18 is relevant in this context.

I-5 Q: Company A signs a contract with Country X to export some products from Country X. The contract requires Company A to certify that the goods will not be sent to Country Y. Company A so certifies. Does Company A's action constitute participation in or cooperation with an international boycott under section 999(b)(3)(A)(i)?

A: No. Company A's compliance with Country X's prohibition on the exportation of products of Country X to Country Y does not constitute participation in or cooperation with an international boycott, according to section 999(b)(4)(C)

J. <u>Refraining from Doing Business with any United States Person Engaged in Trade in a Boycotted Country (section 999(b)(3)(A)(ii))</u>.

J-1. Q: Company A signs a contract with Country X for the turn-key construction of an industrial plant. The contract provides that Company A will not use as subcontractors a number of named U.S. firms whose past performance on contracts in Country X has been unsatisfactory, according to Country X, for reasons unrelated to the boycott. Does Company A's action constitute participation in or cooperation with an international boycott under section 999(b)(3)(A)(ii)?

A: No. The exclusion of subcontractors based on their performance is not covered by section 999(b)(3).

J-2. Q: Company A enters into a contract with Country X to export certain goods to Country X. The contract provides that Company A shall not use any goods manufactured by Company B in performing the contract since Company B is blacklisted by Country X even though Company B does not engage in any kind of trade in a country which is the object of the boycott or with the government, companies, or nationals of that country. Does Company A's action constitute participation in or cooperation with an international boycott under section 999(b)(3)(A)(ii)?

A: No. Since Company B is not engaged in trade in Country Y or with the government, companies or nationals of Country Y, Company A's agreement to refrain from doing business with Company B does not come within the scope of section 999(b)(3)(A)(ii).

J-3. Q: Company A competes for an industrial plant construction contract for which Company P of Country W is inviting international tenders. The contract is to be financed by Country X, which maintains a blacklist of companies (including some U.S. companies) which engage in trade with Country Y. Many of the companies are on the list because they are engaged in trade in Country Y. Country X requires contracts which it finances to state that the contractor is required to refrain from making any purchases for the project from any of the blacklisted companies. Country W does not boycott those companies. Company A wins the tender and signs the contract with Company P with the blacklist provision. Does Company A's action constitute participation in or cooperation with an international boycott according to section 999(b)(3)(A)(ii)?

A: Yes. Although the boycott is not implemented by Country W, but by Country X, and the project is being carried out in Country W, Company has agreed not to do business with blacklisted U.S. companies as a condition of doing business with Company P. This action constitutes participation in or cooperation with an international boycott according to section 999(b)(3)(A)(ii).

J-4. Q: Company A signs a contract with Country X to export certain goods to Country X. The contract provides that Company A will not do business with any company blacklisted by Country X. Among the blacklisted companies are a number of foreign subsidiaries of U.S. companies, but no U.S. companies are on the list. Does Company A's action constitute participation in or cooperation with an international boycott under section 999(b)(3)(A)(ii)?

A: No. According to section 999(b)(3)(A)(ii) refraining from doing business with any United States person engaged in trade in a boycotted country constitutes participation in or cooperation with an international boycott. For purposes of this particular section "United States person" does not include foreign subsidiaries of a United States person.

J-5. Q: Bank B advises Country X on its investments in the United States. Country X instructs Bank B not to recommend for investment any shares of certain companies which are engaged in trade in Country Y. Bank B follows these instructions. Does Bank B's action constitute participation in or cooperation with an international boycott according to section 999(b)(3)(A)(ii)?

A: No. In following the instructions Bank B itself has not agreed to refrain from doing business with a United States person engaged in trade with Country Y. Therefore Bank B's action does not constitute participation in or cooperation with an international boycott according to section 999(b)(3)(A)(ii).

J-6. Q: Bank B manages Country X's investment portfolio in the United States. Bank B has been given certain powers to act for Country X, pursuant to instructions which, among other things, require Bank B not to invest Country X's funds in stocks and bonds issued by certain specified United States companies, some of which are engaged in trade in Country Y. Does Bank B's action constitute participation in or cooperation with an international boycott according to section 999(b)(3)(A)(ii)?

A: No. An agreement to refrain from purchasing stocks or bonds issued by a certain company does not constitute an agreement to refrain from doing business with that company. Accordingly, Bank B's action does not constitute participation in or cooperation with an international boycott, according to section 999(b)(3)(A)(ii).

J-7. Q: Company A signs a contract with Country X to construct an industrial plant in Country X. The laws, regulations, requirements or administrative practices of Country X prohibit the entry into Country X of goods produced by blacklisted companies, many of which trade in Country Y or with the government, companies or nationals of Country Y. The contract states that the laws and regulations of Company X will apply to Company A's performance of the contract in Country X. In carrying out the project, Company A invites bids to furnish all goods and equipment on a delivered-in-Country X basis. No boycotted company on the blacklist maintained by Country X bids. Does Company A's action, as described in this question, constitute participation in or cooperation with an international boycott under section 999(b)(3)(A)(ii)?

A: No. By the terms of the agreement Company A has not agreed to refrain from doing business with any of the blacklisted companies. The fact that blacklisted companies are unable to meet the conditions which Company A establishes is not due to any agreement by Company A with Country X, but is due to Country X's laws, regulations, requirements or administrative practices.

J-8. Q: The facts are the same as those in Question J-10, except that Company A's purchase contracts require venders to reimburse Company A for the purchase price and transportation costs, plus interest, of any goods which Company A cannot import into Country X because of Country X's import restrictions. In this case, does Company A's action constitute participation in or cooperation with an international boycott under section 999(b)(3)(A)(ii)?

A: No, for the reasons given in Answer J-10.

J-9. Q: Company A signs a contract with Country X to produce or purchase goods in Country X for export. The contract requires Company A to certify that the goods will not be sent to Country Y and that Company A will require a similar certification by any purchaser of the products if they are substantially unaltered at the time of the resale by Company A. Company A thereafter sells these goods to Company B, requiring a similar certification. Does Company A;s action constitute participation in or cooperation with an international boycott under section 999(b)(3)(A)(ii)?

A: No. Company A's agreement to refrain, and to require its buyer in the resale to refrain, from sending Country X's unaltered products to Country Y, according to section 999(b)(4)(C), does not constitute participation in or cooperation with an international boycott.

J-10. Q: Company A signs a contract with Country X for the export of goods to Country X. The contract requires Company A, before it receives payment for the goods, to provide Country X with a certificate naming the company which produced the goods. The laws, regulations, requirements or administrative practices of Country X prohibit the importation into Country X of goods manufactured by a company engaged in trade in Country Y or with the government, companies or nationals of Country Y. Does Company A's action constitute an agreement, according to section 999(b)(3)(A)(ii)?

A: No. The existence of an agreement to refrain from doing business with a United States person engaged in trade with Country Y or with the government, companies or nationals of Country Y, will not be inferred solely from the inclusion of a requirement in a contract that Company A provide Country X with a certificate as to the identity of manufacturer of the goods being sold pursuant to the contract.

K. <u>Refraining from Doing Business with any Company Whose Ownership or Management is Made up, in Whole or in Part, of Individuals of a Particular Nationality, Race or Religion (section 999(b)(3)(A)(iii))</u>.

K-1. Q: Company A signs a contract with Country X for the export of certain goods to Country X. In the contract it is provided that the goods shall not bear any mark symbolizing Country Y or religion R. Does Company A's action constitute participation in or cooperation with an international boycott under section 999(b)(3)(A)(iii)?

A: No. Section 999(b)(3)(A)(iii) concerns refraining from doing business on the basis of the religion of the owners or management of the organization and refraining from employing individuals of a particular religion. It does not concern refusal to allow certain types of religious marks into a country. No part of section 999(b)(3) concerns refusals to purchase goods bearing marks symbolizing a certain country.

K-2. Q: As a condition of doing business in a country, Company A's subsidiary in Country X agrees that the board of directors of the subsidiary must consist of a specified number of nationals of Country X. Does such action constitute participation in or cooperation with an international boycott according to section 999(b)(3)(A)(iii)?

A: No. Such action will not be deemed to constitute an agreement to participate in or cooperate with an international boycott according to section 999(b)(3)(A)(iii).

K-3. Q: Company A is the leader of a syndicate of U.S. and foreign banks which is underwriting a public bond issue of Country X. Company C is a member of that syndicate. During the loan negotiations, Country X indicates that Company D, which is not a U.S. company, should be excluded from the syndicate because of the religion of some of its directors. Company A and Company C agree that they did not contemplate that Company D would be a member of the syndicate in any event and that complying with the request of Country X presents no problem. Does the action of Company A and Company C constitute participation in or cooperation with an international boycott under section 999(b)(3)(A)(iii)?

A: Yes. The action of Company A and Company C is an agreement to refrain from doing business with a company whose management are individuals of a particular religion. According to section 999(b)(3)(A)(iii) this constitutes participation in or cooperation with an international boycott.

K-4. Q: The facts are the same as in Question K-3, except that Country X indicates that Company D may be included only if it removes several of its directors who are of nationality Y. Does the action of Company A and Company C constitute participation in or cooperation with an international boycott under section 999(b)(3)(A)(iii)?

A: Yes, for the reasons given in Answer K-3 above.

L. <u>Refraining from Employing Individuals of a Particular Nationality, Race or Religion (section 999(b)(3)(A)(iv))</u>.

L-1. Q: Company A signs a construction contract with Country X which provides that Company A is not to employ individuals of religion R to work on the project in Country X. Does such action constitute participation in or cooperation with an international boycott under section 999(b)(3)(A)(iv)?

A: Yes. Company A has clearly agreed to refrain from employing individuals of religion R. Section 999(b)(3)(A)(iv) defines an agreement, made as a condition of doing business with the government of a country, to refrain from employing individuals of a particular religion as participation in or cooperation with an international boycott.

L-2. Q: Company A signs a contract with Country X for a construction project in Country X. The contract specifies that only individuals who are nationals of the United States or Country X will be allowed to work on the project. Would Company A's action constitute participation in or cooperation with an international boycott under section 999(b)(3)(A)(iv)?

A: No. There is no evidence of an attempt to specifically exclude persons of a particular nationality. Persons of a number of different nationalities, including those from both friendly and unfriendly countries, have been evenhandedly excluded.

L-3. Q: As a condition of doing business in Country X, Company A agrees to employ a specified percentage of nationals of Country X or to employ increasing numbers of nationals of Country X. Does such action constitute participation in or cooperation with an international boycott according to section 999(b)(3)(A)(iv)?

A: No. Such action will not be deemed to constitute an agreement to participate in or cooperate with an international boycott under section 999(b)(3)(A)(iv).

L-4. Q: Company A signs a contract with Country X for the engineering and construction of an industrial plant in Country X. The contract excludes from working in Country X U.S. nationals who are also nationals of Country Y or who were formerly nationals of Country Y. Does Company A's action constitute participation in or cooperation with an international boycott according to section 999(b)(3)(A)(iv)?

A: Yes. Any agreement to differentiate among U.S. citizens on the basis of dual nationality or national origin for employment on a project constitutes participation in or cooperation with an international boycott, according to section 999(b)(3)(A)(iv).

L-5. Q: Company A signs a contract with Country X for the engineering and construction of an industrial plant in Country X. The contract provides that Company A is not to employ in its home office any individuals who are nationals of Country Y to work on the design of the plant. Does Company A's action constitute participation in or cooperation with an international boycott according to section 999(b)(3)(A)(iv)?

A: Yes. Company A has agreed to refrain from employing individuals who are nationals of Country Y, and such agreement constitutes participation in or cooperation with an international boycott according to section 999(b)(3)(A)(iv).

M. <u>As a condition of the sale of a product, refraining from shipping or insuring that product on a carrier owned, leased, or operated by a person who does not participate in or cooperate with an international boycott (section 999(b)(3)(B))</u>.

M-1. Q: Company A enters into a c.i.f. contract for the export of goods to Country X. The contract states that the goods are not to be shipped on a ship blacklisted by Country X. Many of the ships on the list have in the past called at a port in Country Y, contrary to the laws, regulations, requirements or administrative practices of Country X. Does Company A's action constitute participation in or cooperation with an international boycott under section 999(b)(3)(B)?

A: Yes. Company A has agreed as a condition of the sale of its goods, in effect, to refrain from shipping the goods on a carrier owned, leased or operated by a person who does not participate in or cooperate with an international boycott. This action constitutes participation in or cooperation with an international boycott according to section 999(b)(3)(B).

M-2. Q: Company A enters into a f.a.s. Port of New York contract with Country X for the sale of goods to Country X. While no overseas shipping or insurance provisions are contained in the contract, Company A has reason to believe that arrangements will be made by Country X to see that the goods are not shipped on a carrier owned, leased, or operated by a person who does not participate in or cooperate with Country X's boycott of Country Y. Does Company A's action constitute participation in or cooperation with an international boycott according to section 999(b)(3)(B)?

A. No. Company A has not agreed as a condition of sale to refrain from shipping on a carrier owned, leased or operated by a person who does not participate in or cooperate with an international boycott. It has not agreed to any shipping or insurance arrangements. Its action thus does not constitute participation in or cooperation with an international boycott according to section 999(b)(3)(B).

M-3. Q: Company A is requested by Country X to enter into a c.i.f. contract for the export of goods to Country X. However, to avoid participating in or cooperating with an international boycott Company A successfully convinces Country X that the contract should specify shipment f.a.s. Port of New York. The remainder of the circumstances are as described in Question M-2 above. Does Company A's action constitute participation in or cooperation with an international boycott according to section 999(b)(3)(B)?

A: No, for the reasons given in Answer M-2.

M-4. Q: Company A, a United States freight forwarding company, has a contract with Country X to make, as an agent of Country X, shipping and insurance arrangements for goods which Country X purchases in the United States on a f.a.s. Port of New York basis. The contract provides that no shipments will be made on a carrier owned, leased, or operated by a person who does not participate in or cooperate with an international boycott. Company A then makes shipping and insurance arrangements on that basis. Does Company A's action constitute participation in or cooperation with an international boycott according to section 999(b)(3)(B)?

A: No. Company A's agreement not to make shipping arrangements on a carrier of a person who does not participate in Country X's boycott of Country Y is not made as a condition of the sale of a product which is to be shipped to Country X. Therefore, Company A's action does not constitute participation in or cooperation with an international boycott according to section 999(b)(3)(B). However, Company A's agreement would constitute participation in or cooperation with an international boycott pursuant to section 999(b)(3)(A)(ii) if there are vessels owned by U.S. persons with which the agreement requires Company A not to deal.

M-5. Q: Company A enters into a contract with Country X for the export of goods to Country X. The contract requires Company A not to ship the goods on a ship owned, controlled, operated, or chartered by Country Y or a national of Country Y or on a ship which during the voyage calls at Country Y enroute from the United States to Country X. There is a state of hostility between Country X and Country Y. Company A complies with this requirement. Does Company A's action constitute participation in or cooperation with an international boycott?

A: No. Company A has not participated in or cooperated with an international boycott. The requirement in the contract constitutes a precautionary measure to avoid risk of confiscation of the goods rather than a restrictive boycott practice.

M-6. Q: Company A enters into a contract with Country X for the export of goods to Country X. The contract requires Company A to ship the goods only on a ship registered in Country X. Does Company A's action constitute participation in or cooperation with an international boycott, according to section 999(b)(3)(B)?

A: No. An agreement to ship the goods only in a ship registered in Country X does not constitute an agreement to refrain from shipping or insuring those goods on a carrier owned, leased, or operated by a person who does not participate in or cooperate with an international boycott. Therefore, Company A's action does not constitute participation in or cooperation with an international boycott according to section 999(b)(3)(B).

M-7. Q: Company A signs a contract with Company X for the export of goods to Country X. The contract provides that the goods may not be shipped on a vessel which has been blacklisted by Country X because it has called at Country Y in the past. Does Company A's action constitute participation in or cooperation with an international boycott according to section 999(b)(3)(B)?

A: Yes. The reason for those vessels being blacklisted was that at some time in the past the owner, lessor or operator of the vessel did not comply with the requirement of Country X that the vessel not call at Country Y. Therefore, Company A's signing the contract constitutes participation in or cooperation with an international boycott, according to section 999(b)(3)(B).

M-8. Q: Company A signs a contract with Country X for the export of goods to Country X. The contract contains no requirement that the seller refrain from shipping the goods on a vessel which has been blacklisted by Country X because it has called at Country Y in the past. Company A does not ship the goods on a blacklisted vessel. Does Company A's action constitute participation in or cooperation with an international boycott according to section 999(b)(3)(B)?

A: No, an agreement to participate in or cooperate with an international boycott, according to section 999(b)(3)(B), will not be inferred from Company A's action.

M-9. Q: Company A signs a c.i.f. contract with Country X for the export of goods to Country X to be paid for by means of a letter of credit. The letter of credit for this transaction requires, as a condition of payment, Company A to certify as to the identity of the vessel and the identity of the insurer. Company A provides such a certificate to the paying bank. Does Company A's action constitute participation in or cooperation with an international boycott?

A: No, the existence of an agreement to participate in or cooperate with an international boycott will not be inferred solely on the basis of Company A's certification.

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

CONTACT: George G. Ross
(202) 964-5985

FOR IMMEDIATE RELEASE

November 5, 1976

UNITED STATES AND SRI LANKA TO DISCUSS INCOME TAX TREATY

The Treasury Department announced today that representatives of the United States and Sri Lanka (formerly Ceylon) will meet in Colombo in January to begin discussions of a proposed bilateral income tax treaty. The discussions are tentatively scheduled to start January 10, 1977.

At present there is no income tax treaty between the two countries.

The proposed treaty is intended to prevent double taxation and to facilitate trade and investment between the two countries. It will be concerned with the tax treatment of income of individuals and companies from business, investment, and personal services, and with procedures for administering the provisions of the treaty.

The "model" income tax treaty developed by the Organization for Economic Cooperation and Development will be taken into account along with recent U.S. treaties with other countries, such as the treaties with Egypt and Israel which were signed in 1975 and are currently pending before the Senate Foreign Relations Committee. Attention is also called to the current United States "model" income tax treaty, the text of which was released by the Treasury Department on May 18, 1976.

The Treasury said that persons wishing to comment concerning the proposed treaty are asked to send their comments in writing by December 20, 1976, to Charles M. Walker, Assistant Secretary of the Treasury, U.S. Treasury Department, Washington, D. C. 20220.

This announcement appears in the Federal Register of November 5, 1976.

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WS-1157

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE November 4, 1976

RESULTS OF AUCTION OF 7-YEAR TREASURY NOTES

The Treasury has accepted $2,015 million of $6,249 million of tenders received from the public for the 7-year notes, Series B-1983, auctioned today.

The range of accepted competitive bids was as follows:

Lowest yield	7.00% 1/
Highest yield	7.02%
Average yield	7.02%

The interest rate on the notes will be 7%. At the 7% rate, the above yields result in the following prices:

Low-yield price	100.000
High-yield price	99.891
Average-yield price	99.891

The $2,015 million of accepted tenders includes 70% of the amount of notes bid for at the highest yield and $ 891 million of noncompetitive tenders accepted at the average yield.

In addition, $270 million of tenders were accepted at the average-yield price from Government accounts and Federal Reserve Banks for their own account in exchange for notes maturing November 15, 1976, ($50 million) and from Federal Reserve Banks as agents for foreign and international monetary authorities for new cash ($ 220 million).

1/ Excepting 5 tenders totaling $1,000,000

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WS-1158

he Department of the TREASURY NEWS
ASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE November 5, 1976

RESULTS OF AUCTION OF 23-1/4-YEAR TREASURY BONDS
AND SUMMARY RESULTS OF NOVEMBER REFINANCING

The Treasury has accepted $1,000 million of the $1,544 million of tenders received from the public for the 23-1/4-year 7-7/8% bonds auctioned today. The range of accepted competitive bids was as follows:

	Price	Approximate Yield: To First Callable Date	Approximate Yield: To Maturity
High	101.05 1/	7.76%	7.77%
Low	100.58	7.81%	7.82%
Average	100.79	7.79%	7.80%

The $1,000 million of accepted tenders includes 30% of the amount of bonds bid for at the low price, and $150 million of noncompetitive tenders accepted at the average price.

1/ Excepting 4 tenders totaling $6,160,000

SUMMARY RESULTS OF NOVEMBER REFINANCING

Through the sale of the three issues offered in the November refinancing, the Treasury raised approximately $2,500 million of new money and refunded $4,300 million of securities maturing November 15, 1976. The following table summarizes the results:

	New Issues: 6-1/4% Notes 11-15-79	7% Notes 11-15-83	7-7/8% Bond 2-18-95-2000	Nonmarketable Special Issues	Total	Maturing Securities Held	Net New Money Raised
Public.............	$3.0	$2.0	$1.0	$ -	$6.0	$4.0	$2.0
Government Accounts and Federal Reserve Banks..............	0.1	0.1	-	0.2	0.3	0.3	-
Foreign Accounts for Cash...........	0.3	0.2	-	-	0.5	-	0.5
TOTAL.........	$3.4	$2.3	$1.0	$0.2	$6.8	$4.3	$2.5

Details may not add to total due to rounding.

WS-1159

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

Contact: L.F. Potts
Extension 2951
November 5, 1976

FOR IMMEDIATE RELEASE

TREASURY ANNOUNCES COUNTERVAILING DUTY INVESTIGATION ON IMPORTS OF CHAINS AND PARTS THEREOF, OF CAST IRON, IRON OR STEEL, FROM ITALY

Under Secretary of the Treasury Jerry Thomas announced today a formal notice of investigation and receipt of countervailing duty petition with respect to imports of chains and parts thereof, of cast iron, iron or steel from Italy. This action will be published in the FEDERAL REGISTER of November 8, 1976.

Under the U.S. Countervailing Duty Law (19 USC 1303), the Secretary of the Treasury is required to assess an additional (countervailing) duty that is equal to the amount of the bounty or grant that has been found to be paid or bestowed on the imported merchandise. This action is taken pursuant to allegations by the National Association of Chain Manufacturers that this merchandise receives "bounties or grants" in the form of rebates under Italian Law 639. A preliminary determination on this case must be reached on or before April 1, 1977. A final determination must be issued by October 1, 1977.

Imports of the subject merchandise from Italy during the first half of 1976 were valued at roughly $464,000.

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WS-1160

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE

November 8, 1976

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $2,600 million of 13-week Treasury bills and for $3,700 million of 26-week Treasury bills, both series to be issued on November 12, 1976, were opened at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing February 10, 1977			26-week bills maturing May 12, 1977		
	Price	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/
High	98.783	4.868%	5.00%	97.475	5.022%	5.22%
Low	98.773	4.908%	5.04%	97.458	5.056%	5.26%
Average	98.777	4.892%	5.02%	97.464	5.044%	5.25%

Tenders at the low price for the 13-week bills were allotted 37%.
Tenders at the low price for the 26-week bills were allotted 17%.

TOTAL TENDERS RECEIVED AND ACCEPTED
BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted	Received	Accepted
Boston	$ 51,025,000	$ 43,025,000	$ 69,720,000	$ 45,720,000
New York	4,035,240,000	2,187,320,000	5,859,180,000	3,202,710,000
Philadelphia	72,370,000	72,370,000	5,185,000	5,185,000
Cleveland	26,205,000	26,205,000	116,815,000	91,815,000
Richmond	17,955,000	17,325,000	21,680,000	9,850,000
Atlanta	53,890,000	23,790,000	16,190,000	13,810,000
Chicago	211,505,000	94,530,000	334,500,000	153,900,000
St. Louis	49,215,000	27,065,000	43,620,000	16,800,000
Minneapolis	33,870,000	16,980,000	42,215,000	33,725,000
Kansas City	31,560,000	31,560,000	23,360,000	13,910,000
Dallas	14,570,000	9,570,000	12,570,000	7,570,000
San Francisco	212,050,000	51,750,000	329,485,000	105,995,000
Treasury	10,000	10,000	15,000	15,000
TOTALS	$4,809,465,000	$2,601,500,000 a/	$6,874,535,000	$3,701,005,000 b/

a/Includes $ 287,805,000 noncompetitive tenders from the public.
b/Includes $ 136,775,000 noncompetitive tenders from the public.
1/Equivalent coupon-issue yield.

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Department of the TREASURY NEWS
INGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE AT 4:00 P.M. November 9, 1976

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $6,000 million, or thereabouts, to be issued November 18, 1976, as follows:

91-day bills (to maturity date) in the amount of $2,500 million, or thereabouts, representing an additional amount of bills dated August 19, 1976, and to mature February 17, 1977 (CUSIP No. 912793 E6 9), originally issued in the amount of $3,603 million, the additional and original bills to be freely interchangeable.

182-day bills, for $3,500 million, or thereabouts, to be dated November 18, 1976, and to mature May 19, 1977 (CUSIP No. 912793 G3 4).

The bills will be issued for cash and in exchange for Treasury bills maturing November 18, 1976, outstanding in the amount of $6,006 million, of which Government accounts and Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold $2,621 million. These accounts may exchange bills they hold for the bills now being offered at the average prices of accepted tenders.

The bills will be issued on a discount basis under competitive and non-competitive bidding, and at maturity their face amount will be payable without interest. They will be issued in bearer form in denominations of $10,000, $15,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value), and in book-entry form to designated bidders.

Tenders will be received at Federal Reserve Banks and Branches and from individuals at the Bureau of the Public Debt, Washington, D. C. 20226, up to 1:30 p.m., Eastern Standard time, Monday, November 15, 1976. Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. 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.

Banking institutions and dealers who make primary markets in Government

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(OVER)

securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others 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 bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. 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 $500,000 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 or Branch or at the Bureau of the Public Debt on November 18, 1976, in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 18, 1976. 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.

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 considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of bills (other than life insurance companies) issued hereunder must include in his Federal income tax return, as ordinary gain or loss, the difference between the price paid for the 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.

Department of the Treasury 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, or from the Bureau of the Public Debt.

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Department of the TREASURY
OFFICE OF REVENUE SHARING
WASHINGTON, D.C. 20226
NEWS
TELEPHONE 634-5248

FOR IMMEDIATE RELEASE
FRIDAY, NOVEMBER 12, 1976
CONTACT: PRISCILLA R. CRANE (202) 634-5248

SPECIAL PAYMENT OF REVENUE SHARING FUNDS

The Treasury Department's Office of Revenue Sharing sent 1,893 units of local government a total of $16,799,986 today. The money was distributed to governments which did not receive an October 1976 quarterly payment because one or both of two reports required by revenue sharing law had not yet been received by the Office of Revenue Sharing. Only those governments which returned their Planned and Actual Use Reports by Friday, November 5, 1976 are being sent funds today.

With this special payment, a total of 37,004 States and local governments now have received $1.64 billion in first-quarter entitlement period seven (July 1, 1976-December 31, 1976) funds.

To date $28.4 billion has been returned to States and local units of general government since the General Revenue Sharing Program first was authorized, in 1972.

The second and final quarterly payment of entitlement period seven funds will be made in January 1977.

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Governments which have not returned their Planned and Actual Use Reports by the end of the period will be considered to have waived participation in the General Revenue Sharing Program for the current period. The money which they had been entitled to receive will be paid instead to the next higher level of government within their states, as required by law.

On October 13, 1976, President Ford signed into law a measure which will extend the General Revenue Sharing Program through September 1980. The first quarterly payment of funds for the renewal period will be issued in April 1977.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE November 9, 1976

RESULTS OF TREASURY'S 52-WEEK BILL AUCTION

Tenders for $3,245 million of 52-week Treasury bills to be dated November 15, 1976, and to mature November 15, 1977, were opened at the Federal Reserve Banks today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS: (Excepting 2 tenders totaling $2,920,000)

	Price	Discount Rate	Investment Rate (Equivalent Coupon-Issue Yield)
High -	94.738	5.190%	5.48%
Low -	94.718	5.210%	5.50%
Average -	94.727	5.201%	5.49%

Tenders at the low price were allotted 13%.

TOTAL TENDERS RECEIVED AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Received	Accepted
Boston	$ 25,740,000	$ 10,740,000
New York	4,495,605,000	2,973,745,000
Philadelphia	5,935,000	935,000
Cleveland	16,975,000	1,975,000
Richmond	9,745,000	3,310,000
Atlanta	3,270,000	2,970,000
Chicago	256,285,000	70,585,000
St. Louis	42,065,000	15,065,000
Minneapolis	29,115,000	29,115,000
Kansas City	12,460,000	8,025,000
Dallas	14,250,000	13,380,000
San Francisco	308,420,000	115,670,000
Treasury	30,000	30,000
TOTAL	$5,219,895,000	$3,245,545,000

The $3,246 million of accepted tenders includes $ 56 million of noncompetitive tenders from the public and $ 994 million of tenders from Federal Reserve Banks for themselves and as agents of foreign and international monetary authorities accepted at the average price.

An additional $ 150 million of the bills will be issued to Federal Reserve Banks as agents of foreign and international monetary authorities for new cash.

WS-1164

Department of the TREASURY NEWS
INGTON, D.C. 20220 TELEPHONE 964-2041

Contact: Peter O. Suchman
Extension: 5538
November 10, 1976

FOR IMMEDIATE RELEASE

TREASURY ANNOUNCES TWO ACTIONS
UNDER COUNTERVAILING DUTY LAW
ON ARTICLES FROM ITALY

Under Secretary of the Treasury Jerry Thomas announced today two actions under the U.S. Countervailing Duty Law (19 USC 1303). In one action Mr. Thomas announced the formal notice of a reinstitution of investigation and receipt of countervailing duty petition with respect to canned tomatoes and canned tomato concentrates from Italy. In the other action, Mr. Thomas announced the formal notice of investigation and receipt of countervailing duty petition with respect to grain oriented silican electrical steel from Italy. Notices of these actions will be published in the Federal Register of November 11, 1976.

Under the Countervailing Duty Law the Secretary of the Treasury is required to assess an additional (countervailing) duty that is equal to the amount of the bounty or grant that has been found to be paid or bestowed on the imported merchandise.

The resinstitution of the investigation on canned tomatoes and canned tomato concentrates stems from allegations that imports of those products shipped directly from Italy are once again benefiting from the payment of a bounty or grant. The Treasury Department countervailed against canned tomatoes and canned tomato concentrates from Italy in a decision issued in April of 1968. That decision was subsequently modified in September of 1972 to exclude direct importations from Italy from the determination. A preliminary determination on this case must be reached on or before January 2, 1977. A final determination must be issued by July 2, 1977.

Imports of canned tomatoes and canned tomato concentrates from Italy in 1975 amounted to roughly $7.3 million.

The initiation of the investigation on grain oriented silicon electrical steel from Italy is taken pursuant to allegations that the merchandise benefits from several programs which constitute bounties or grants within the meaning of the law. A preliminary determination with respect to this case must be reached on or before April 1, 1977. A final determination must be issued by October 1, 1977.

Imports of the subject merchandise from Italy amounted to approximately $6.7 million during 1975.

WS-1165

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federal financing bank NEWS
WASHINGTON, D.C. 20220
Press inquiries: 202-964-2615

FOR IMMEDIATE RELEASE November 8, 1976

SUMMARY OF LENDING ACTIVITY

October 16-October 31, 1976

Federal Financing Bank lending activity for the period October 16 through October 31, 1976, was announced as follows by Roland H. Cook, Secretary:

The National Passenger Service (Amtrak) made the following drawings against Note #7:

Date	Amount	Maturity	Interest Rate
10/18	$12,000,000	12/31/76	5.027%
10/20	8,000,000	12/31/76	5.072%
10/28	5,000,000	12/31/76	5.113%

On October 28, Amtrak rolled over Note #9 in the amount of $120 million. The maturity of the loan is January 27, 1977. The interest rate is 5.113%. Amtrak borrowings from the Federal Financing Bank are guaranteed by the Department of Transportation.

The Student Loan Marketing Association (Sallie Mae) rolled over the following principle amounts on loans previously made by the Federal Financing Bank:

Date	Amount	Maturity	Interest Rate
10/19	$20,000,000	10/18/77	5.445%
10/26	20,000,000	1/25/77	5.186%

Sallie Mae borrowings are guaranteed by the Department of Health, Education and Welfare.

On October 19, the General Services Administration borrowed $1,009,757.80 under the Series L $107 million commitment with the Bank. The loan matures November 15, 2004 and bears interest at a rate of 7.856%.

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The FFB made the following advances to borrowers guaranteed by the Department of Defense under the Foreign Military Sales Act:

Date	Borrower	Amount	Maturity	Interest Rate
10/19	Government of Uruguay	$128,641.99	6/30/83	6.588%
10/26	Government of Israel	34,598,540.67	6/30/06	7.961%
10/29	Government of Korea	751,051.33	6/30/83	6.807%
10/29	Government of Liberia	904,651.83	6/30/82	6.688%

On October 19, the FFB purchased $3 million of notes from the Department of Health, Education & Welfare (HEW). The Department had previously acquired the notes which were issued by various public agencies under the Medical Facilities Loan Program. The notes mature July 1, 2000, and bear interest at a rate of 7.706%. The notes purchased by the FFB are guaranteed by HEW.

On October 20, the Bank purchased debentures from nine Small Business Investment Companies totalling $5,750,000. $500,000 of the debentures matures October 1, 1981, and bears interest at a rate of 6.715%. The remaining amount matures October 1, 1986, and bears interest at a rate of 7.485%. These debentures are guaranteed by the Small Business Administration.

On October 26, the U.S. Railway Association (USRA) borrowed $675,000 against Note #6. The maturity of the loan is December 26 1990; and the interest rate is 8.055%, set at the time of the first advance. USRA borrowings are guaranteed by the Department of Transportation.

On October 29, the Tennessee Valley Authority borrowed from the FFB $235 million. The maturity of the loan is January 31, 1977. The interest rate is 5.114%.

The Federal Financing Bank made loans to the following utility companies guaranteed by the Rural Electrification Administration:

Date	Borrower	Amount	Maturity	Interest Rate
10/20	South Mississippi Electric Pwr. Assoc.	$3,800,000	10/23/78	5.980%
10/20	Big Rivers Electric Corporation	1,506,000	12/31/10	7.865%
10/20	North West Telephone Company	183,400	12/31/10	7.865%
10/20	Arizona Electric Power Association	3,953,000	12/31/10	7.865%
10/21	Big Rivers Electric Corporation	227,000	12/31/10	7.868%
10/22	Central Louisiana Telephone Co.	226,649	12/31/10	7.864%
10/22	Boone County Telephone Company	810,500	12/31/10	7.864%
10/22	Allied Telephone Co. of Oklahoma	200,000	12/31/10	7.864%
10/27	Sunflower Electric Corporation	6,723,000	12/31/10	7.918%
10/29	Southern Illinois Power Company	1,272,000	10/29/78	6.118%

Interest payments on the above REA loans are made on a quarterly basis.

Federal Financing Bank loans outstanding on October 31, 1976, totalled $26.6 billion.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE

REMARKS BY JOHN M. NIEHUSS
DEPUTY ASSISTANT SECRETARY OF THE TREASURY
FOR INVESTMENT AND ENERGY POLICY
BEFORE THE
CONFERENCE ON FINANCING WORLD ENERGY REQUIREMENTS
TULSA, OKLAHOMA
FRIDAY, NOVEMBER 12, 1976

The Role of the Federal Government in Financing Energy Sector Investment

It is a pleasure for me to participate in this conference on financing world energy requirements. I would like to concentrate my remarks on the appropriate role of the Federal Government with respect to the financing of investments in the U.S. energy sector. While I will outline the Treasury Department's own thinking on the appropriate course of governmental policies in this area, my main intention is to suggest some of the questions that need to be answered and to stimulate discussion among this group of distinguished financial experts.

The Problem

Perhaps we should begin with a very basic question -- why should the U.S. Government even consider developing a policy with respect to financing energy sector investments? Why don't we continue, as in the past, to let the decisions of private parties completely determine the course of energy investments rather than have the Federal Government become involved in any way?

There are sound economic reasons for such a private market policy. These reasons include:

(1) the superior ability of the private market to efficiently allocate capital among competing users;

(2) the danger that the prospect of receiving Federal financial assistance would reduce the willingness of private parties to undertake major projects without government support;

(3) the equity considerations involved in transferring the financial risks of private projects to the general taxpayers;

(4) our desire to minimize the degree of government involvement in, and control over, the energy industry; and

(5) the impact that Federal financial assistance has on our capital markets and our debt management policy.

We in the Treasury give great weight to these considerations as they are the basic reasons why we have resisted extensive government financial assistance for energy development. However, there are two important factors which do make the government's role in financing energy investments a legitimate public policy issue today.

The first factor is our goal of reducing the nation's vulnerability to interruption of foreign sources of energy to an acceptable level. Specifically, the President has set a mid-term goal of achieving invulnerability to oil import disruption by 1985. This means a 1985 import range of 3-5 million barrels per day, replaceable by stored supply and emergency measures. If our nation is to achieve this important goal, we may have to develop both domestic conventional and nonconventional sources of energy at a more rapid rate than would occur if we relied solely on market forces.

The second important factor which makes government policy toward energy finance an issue is that government is already heavily involved in the energy sector in a way which constrains the ability of the private market to undertake the needed level of investment. For example, we continue to regulate the prices of natural gas and crude oil; we delay needed rate increases for public utilities; and our environmental policies often hinder the implementation of energy projects. Thus, we cannot say that the present situation is one in which private market forces are the sole determinant of energy investments. Rather we are faced with a difficult dilemna. On the one hand, Congress and certain regulatory agencies have seriously inhibited the ability of private market forces to allocate capital to the energy sector. On the other hand, there is a national need to accelerate the pace of domestic energy investment. Policy makers have to try to reach an acceptable solution to this dilemna which ensures that there is adequate finance available for needed energy projects.

Before discussing specific policy alternatives, I would like to review the scope of the problem as we see it. First, I would like to summarize the expected capital requirements of the U.S. energy industry. Second, I will outline the reasons why, in the current situation, it may be difficult for the private sector to finance many important energy projects.

Capital Requirements

A number of studies have been made concerning the level of energy sector capital requirements. In most cases these studies have analyzed the requirements based on several assumed scenarios, and the resulting estimates of the overall levels of capital requirements for the energy sector for the 1975-85 range from about $480 billion to about $680 billion in 1975 dollars. For the purpose of discussion today, I will use the U.S. Federal Energy Administration's estimate of $580 billion.

In order to assess the relative size of this figure, it should be compared with estimated business spending on new plant and equipment of roughly $2.0 trillion in 1975 dollars over the 1975-85 period. When viewed in this light, the $580 billion energy investment figure would constitute roughly 30 percent of estimated business fixed investment over the period, which would be well within the range of historical experience. Over the 1965-74 period, for example, energy investments as a percentage of total business fixed investment averaged 29% and ranged from 24% to 33%.

Despite the fact that the projected capital needs for energy are not out of proportion to historical trends, the extent to which the capital markets will be willing to continue to finance the necessary investment in energy is a matter of considerable concern. Historically, the energy sector financed a relatively small percentage of its investment from funds raised externally. For example, it is estimated that during the early 1960's about 25% of fossil fuel investment was financed externally while the investor owned electric utilities financed about 35% of their capital needs this way.

However, over the past decade the energy sector and business in general has tended to rely more and more on external financing, especially debt. During the late 60's and early 70's the fossil fuel industry financed roughly 30-40% of its requirements externally; and the level of external financing for investor owned utilities ranged from 50-70%. The result of this increased reliance on external financing has been that the energy sector has taken an increasing share of the total funds supplied by the private capital market. Over the 1961-65 period the energy industry's share of the total amount of funds raised by business in U.S. capital markets averaged 18 percent.

The energy sector's share rose to 21 percent for the 1967-70 period and then to 28 percent in 1975. Estimates for the 1975-85 period suggest the U.S. capital market will provide some $1.1 trillion (in 1975 dollars) to the business sector and that the energy industry will require on average 25% of these funds.

We believe that the capital markets will have the capacity to provide this level of funding to the energy industry. Thus our concern is not one of an overall shortage of capital, per se. However, given the current uncertainties (e.g. duration of oil and gas price controls) and the current regulatory climate it is doubtful that all of the necessary funds will actually flow to the energy sector in the needed amounts. Energy projects will have to compete with projects from other sectors; and the capital will normally flow to the most economic projects where it can be most profitably employed. The investment decisions by the private sector will not only be determined by the expected rate of return on competing projects, but they will also be strongly affected by the nature of the regulatory, economic and technological risks associated with the investment.

In spite of these risks, we do believe that most of the needed conventional energy sector investments would be able to attract the necessary financing from private sources without Federal financial assistance. There are, however, some types of energy projects which will be needed but which, for various reasons, are less likely to be able to attract funds from the private markets during the next 10 years without some form of government assistance and/or some major changes in the Government's regulation and control of the energy industry.

Reasons Why the Private Market May Not Finance Certain Types of Energy Projects.

There is no single all pervasive reason why certain energy development projects are not being financed in the private markets. In most cases there is a combination of factors which creates uncertainty in the minds of potential investors and prevents them from committing funds to the project. The most important of these reasons are the following:

(1) Some nonconventional energy projects included in our national energy program are marginally economic or, in some cases, not economic at current prices with the current state of technological development. For example, synthetic fuel plants are at best only marginally economic at current prices. Because of uncertainty over future world oil prices and government regulatory policy, most synthetic fuel projects today are not attractive to private investors.

(2) We have failed to take the needed regulatory action which is necessary to improve the financial viability of certain segments of our energy industry and to provide requisite assurances to potential investors. As a prime example of this

regulatory neglect, I would cite the inadequate rate increases granted to electric utilities by state commissions which have resulted in straining the financial condition of these utilities and in the deferral or cancellation of large amounts of new generating capacity. Almost half of the energy sector's projected capital requirements in the 1975-85 period are in the electric utility sector. Electric utilities are faced with the need to raise more capital than the oil companies over this period, but will have less than half the revenue base of these companies. While recent regulatory actions have resulted in some improvement in the financial situation of electric utilities, these companies can be expected to face future financial difficulties unless additional action is taken to provide for adequate rates and for a stronger cash flow. Without more timely rate adjustment, and innovative regulatory actions such as including construction work-in-progress in the rate base, we may continue to have periods during which the financial condition of the electric utilities retards the undertaking of needed investment.

The natural gas industry is also in need of substantial regulatory reform. The historical thrust of regulation of this industry seems to have been narrowly directed toward holding down the market cost of natural gas to the consumers, and the cumulative adverse results of this policy are now painfully evident. Until recently the ceiling price of domestic gas at the wellhead was equivalent to pricing oil at less than $3.50 per barrel. With the cost of imported oil at nearly $12 per barrel, this artificial ceiling on the price of gas has caused major economic distortions and created a very large shortage of natural gas supply which has serious implication for the general economy. While the FPC regulated ceiling price on new gas was recently increased, it still remains significantly below both the price of imported oil in terms of its energy equivalency and the price of gas sold in unregulated intrastate markets. This seriously distorts investment decisions and creates uncertainty with respect to financing natural gas projects.

If private financing is to be arranged for certain needed major natural gas projects, deregulation of new gas prices and still other types of innovative regulatory actions may be needed. For example, the Federal Power Commission and the relevant state regulatory agencies should undertake an intensive examination of the effects of their current regulatory practices on the continued ability of the natural gas industry to finance needed projects. In doing so, they should consider usage of (1) "all events full cost of service" tariffs which pass some of a project's risk to gas consumers, (2) consumer surcharges which could be used to help finance exploration and development of new gas supplies, and (3) devices like inclusion of construction work in progress in the rate base which enable consumers to contribute to cash flow during construction. In this regard, the Treasury Department has urged the FPC to consider these innovative regulatory devices as measures to help ensure that the roughly \$10-\$12 billion Alaskan gas transportation system will be financed in the private sector without the need for government backstopping.

(3) Some energy projects have special risks which the private market may not be willing to bear. Examples of these types of projects are those involving the commercialization of technologies untested in the private market such as uranium enrichment facilities and synthetic fuel projects. The technological risk is often compounded by regulatory uncertainty and long construction lead times which means that private investors may not be willing to bear the risks and commit funds to the projects. In such special situations, innovative regulatory measures and/or Federal financial assistance may be needed if we are to accelerate the implementation of needed energy technologies.

Basic Federal Government and Regulatory Actions to Assure Adequate Energy Investments

Given our very sizable capital requirements in the energy sector over the next ten years and the problems in securing private financing for some of the needed investments, what is the appropriate policy for the Federal Government?

We believe the answer to this question should begin with a recognition of the fact that a solution which maximizes the role of the private sector is one that will assure the most efficient allocation of our resources and, hence, will ultimately be the lowest cost solution to the American people. Thus, a central element of our policy is that the nation should place maximum reliance on private sector financing of energy projects. Next, we must recognize that many of the barriers to achieving private financing of needed energy projects are a result of government regulation and control of the energy industry. Most of these difficulties could be overcome by timely and innovative regulatory action and through removal of other government impediments to the development of our energy resources. In this regard, we must recognize the particularly important role the independent state and Federal regulatory agencies can play in determining whether the private sector will be able to finance the needed level of energy investment over the next decade. We must do all that we can to encourage them to adopt innovative procedures which will facilitate private financing of energy projects. In short, we believe the basic long run solution is to move forward as rapidly as possible with policy changes and regulatory reforms which will strengthen the ability of private firms to attract needed capital. We must not turn to Federal financial assistance as a long term substitute for needed regulatory reforms and policy changes.

The problem we face, however, is that, considering the accelerated capital requirements needed to achieve our energy independence goals, the necessary regulatory actions and congressional actions may be too slow in evolving. Congress and certain regulatory agencies have shown a marked reluctance to take the difficult but necessary actions in this area. Thus, we have reluctantly concluded that some forms of Federal financial assistance may be needed for projects which (1) will contribute significantly to energy independence, but (2) would not otherwise be undertaken in a timely fashion by the private sector without governmental financial assistance. This was, you may recall, one of the primary factors which led President Ford to propose the $100 billion Energy Independence Authority which would have provided Federal assistance for certain types of energy projects.

The Administration's proposed program to accelerate the development of a commercial synthetic fuels industry is another example of a situation where Federal financial assistance was contemplated. President Ford determined that an important element of our overall program to reduce energy vulnerability should be the rapid development, demonstration and commercial production of emerging synthetic fuels technologies. An Interagency Task Force, after a comprehensive study of how best to attain this objective, concluded that:

> "In the absence of Federally provided economic incentives or other policies creating a stable and favorable investment environment, significant amounts of synthetic fuels are not likely to be produced by 1985."

In this case the Treasury Department concurred that incentives were needed to insure that an adequate amount of private capital would be made available to accomplish the basic objectives of the synthetic fuels commercial demonstration program, and we supported legislation to this effect.

However, in our testimony supporting such legislation we pointed out that there were very real costs to our economy and capital markets resulting from Federal assistance. For example, any type of Federal financial assistance resulting in the undertaking of energy projects which would not otherwise have been undertaken will lead to some redirection of resources in our capital markets. Such incentives increase the demand for capital while having little or no effect on the overall supply of capital. They tend to cause interest rates to rise and channel capital away from more economic to less economic uses. In short, any proposed program of Federal incentives will redirect capital from other areas of our economy where it might be used more productively into energy production. In addition, Federal loan and price guarantees will result in new issues of bonds, notes or other government-backed obligations in the capital markets which impinge upon Treasury and other Federal agency financings and which can have significant market impact.

In order to minimize these potential adverse effects, the Treasury has emphasized that, in carrying out any incentives program, special care should be taken to (1) keep the use of Federal assistance to an absolute minimum necessary to accomplish program objectives, (2) reduce the capital market impact by giving the Secretary of the Treasury the authority to approve the timing and substantial terms and conditions of such loan and price guarantees and other financial incentives that would have a similar market impact, and (3) ensure that the adoption of a Federal incentives program does not impede movement towards the fundamental actions needed to improve the climate for private investment in the energy sector.

We, of course, recognize that our policy with respect to Federal financial assistance represents an unsatisfactory compromise between our belief in maximum reliance on regulatory reform and policy changes to facilitate private investment in energy and the pressing requirement to accelerate the development of major new domestic energy sources. Our policy has had to take account of the political and practical difficulties we currently face in obtaining in a timely fashion needed basic policy and regulatory decisions by the Congress and regulatory agencies. Therefore, we have accepted the need for Federal financial assistance in certain circumstances. However, in doing so we have been careful to point out that we must not let such assistance obscure the fact that we must continue to work for regulatory reforms and policy changes as the only appropriate long-term solution.

Concluding Remarks

The financing of U.S. energy requirements will clearly be a high priority issue for the incoming Administration and the new Congress. I have made clear the Department of the Treasury's strong preference for an approach which strengthens the ability of our private markets to meet this challenge. I believe that if needed market-oriented actions are not taken, U.S. dependence on oil imports will increase even further. Were this to happen, the serious economic and national security implications of increased vulnerability to foreign oil supply and price manipulation would inevitably lead to increased pressure for direct Federal Government action to deal with the problem. Included among the action requested would be further proposals for direct Federal financial assistance to, or actual involvement in, the energy industry.

In order to avoid this development there must be a recognition of the fact that a solution which maximizes the role of the private sector will be one that will assure the most efficient allocation of our resources and hence will ultimately be the lowest cost solution to the Nation. We must also recognize that many of the barriers to achieving private financing of needed energy projects are a result of Government regulation and control of the energy industry. Most of these difficulties could be overcome by timely and innovative regulatory action and through removal of other government impediments to the development of our energy resources. We should not turn to Federal financial assistance as a long-term substitute for needed regulatory reforms and policy changes. Rather, now is the time to move forward as rapidly as possible with policy changes and regulatory reforms which will strengthen the ability of private firms to attract needed capital. If we take this course, I am confident that the problems inherent in financing the U.S. domestic energy requirements can be met.

That concludes my prepared remarks and I would be glad to open the floor for discussion or any questions you might have.

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REMARKS BY THE HONORABLE WILLIAM E. SIMON
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AT THE
HILLSDALE COLLEGE
HILLSDALE, MICHIGAN
NOVEMBER 12, 1976

THE FUTURE AGENDA

As the Nation turns its attention away from the recent elections it will again confront the persistent problems that have plagued policy makers for more than a decade. The claims and promises made during the election will now be tested against the harsh realities of the real world and the expectations of the people will be matched against the basic capacity of the system to deliver even more goods and services.

During the last fifteen years the real output of goods and services has increased 60 percent and the real income of the average American has risen by 50 percent. But despite these remarkable gains the American people are increasingly dissatisfied with the national state of affairs and their personal status. Part of this frustration is a healthy refusal to tolerate many real problems that exist. The American drive to improve, to help those less fortunate, to seek ever higher personal standards of living is commendable when it leads to a more creative and productive system and increased concern for the needs of others. But there is also an unhealthy aspect in much of the cynicism and negativism that we find in America today. I believe this more ugly mood is the result of the demonstrated failure of collectivist big-government approaches to national problems that promised so much but delivered so little. In the process, a mood of dependence on government has increased which feeds upon itself creating still more demands for benefits without recognizing that the bills must be paid -- either directly in current taxes or indirectly through accelerating inflation and economic disruption.

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The accumulation of economic distortions must now be faced. The longer we delay the hard adjustment decisions the more difficult and costly the needed solutions will become. And if we delay too long the opportunities to restore stable economic progress may be lost.

The future agenda for America then is basically a consideration of the multitude of conflicting claims to arrive at the greatest long-term benefit for all of our people. In that process the most important factor to be considered is the freedom and dignity of the individual. No matter what material progress occurs the loss of personal freedom and dignity are too great of a price to be paid. In short, we must decide what kind of economic and political systems will best serve the real long-term interests of the American people.

It is particularly appropriate that this important discussion be held here at Hillsdale College for you have attracted national attention by your valiant effort to maintain your academic independence in an era of increasing external encroachment on our traditional education values and procedures. I want to express my strong support for your program to make your college financially independent of external pressures. Such financial independence has become the foundation of academic freedom and even the survival of private academic institutions. For many years, too many Americans have passively watched the corruption of the well-known "Golden Rule" for treating others fairly and charitably until it has deteriorated into the cynical guideline: "He who has the gold makes the rules."

The erosion of academic independence during the last twenty years has been directly related to increasing Federal financing and controls which have made higher education one of our most regulated industries. Like any other institution experiencing severe financial strains, colleges and universities are losing their independence as policy-making authority is increasingly shifted to absentee government creditors. An American Council on Education study of a cross-section of colleges and universities showed that institutional costs of implementing Federally mandated social programs had, depending on the specific school analyzed, increased ten to twenty times in the last decade, and now equal "the equivalent of 5 percent to 18 percent of tuition revenues...." That report concluded that "Federally mandated social programs contributed substantially to the instability of costs at colleges and universities from year to year and thus increased their difficulties of financial management and budget balance."

Even more serious is the impact of Federal control over the curriculum and faculties of colleges and universities which have historically held the trust of the general public because they believed that the promulgation of learning and the search for truth were their primary objectives. When government regulators force schools to adopt other goals with even higher priorities, in return for financial assistance, then educators will inevitably surrender institutional responsibilities. No matter how desirable these other priorities are if the government regulation disrupts the primary goal of education -- the promulgation of learning and the search for truth -- then it is clearly time to reject such controls. In his last annual report President Derek C. Bok of Harvard expressed alarm at government actions that strike directly "at the central academic functions of colleges and universities." After reciting a long list of examples he argues that government rules "diminish initiative and experimentation, " "threaten to impinge upon diversity of the system" and transfer authority from experienced educational leaders to inexperienced public officials, thus increasing the likelihood and magnifying the impact and cost of mistakes.

Another interesting example involved a quartet of presidents of universities in the Nation's capital -- American, Catholic, George Washington and Georgetown -- who recently issued what they styled "A 1976 Declaration of Independence," protesting "recent government policies and behavior toward education," which, in their opinion, "have threatened /the/ valued independence and... shaken the foundations of our system of higher education in this country." These presidents saw "an intensification of these interventionist trends." Referring particularly to what they called "the myriad, pedantic, and sometimes contradictory requirements imposed by government regulation," their statement reaffirmed their "intention to maintain institutional independence from any external intervention which threatens the integrity of their institutions."

Finally, President Dallin H. Oaks of Brighan Young University comments that:

> A plea for institutional freedom from Federal regulation is not an easy position for the academic community to accept. Poll after poll has shown that college and university faculty members generally approve increased government power, an opinion that of course places a degree of reliance on government's ability to solve social problems that is wholly inconsistent with its dismal record of accomplishment. Faculty members invariably defend the teacher's individual academic freedom of inquiry and expression,

which is properly regarded as one of the essential preconditions of a free society. In time, I hope our Nation's teachers -- especially in higher education -- will just as stoutly defend the academic freedom of their colleges and universities from government regulation of the educational process.

From these comments from leading educators it is clear that other schools are beginning to develop the same concerns that Hillsdale College has felt for some time. I commend you both for your vision and your courage in taking specific action to protect your financial and academic independence.

I. AGENDA FOR THE FUTURE

Turning to your seminar topic, "The Current Condition of American Society and the Prospects for the Future," I will limit myself to a brief review of the basic economic issues that will ultimately shape the future course of the United States. The American people must now decide what kind of economy they want for the foreseeable future. They must realize that their government's fiscal and monetary policies and the maze of government programs that increasingly intervene in their daily lives are the real issues that will determine their personal welfare:

-- whether or not inflation will be effectively controlled or once again allowed to return to double-digit levels;

-- whether or not capital investment will be adequate to create meaningful jobs for the growing labor force;

-- whether or not government regulation and administrative controls will be changed to meet current economic realities to restore productivity and efficiency;

-- whether or not the United States will provide effective leadership on international monetary, trade and investment issues.

In looking to the future the American people should ask this basic question each time the government comes up with a new economic policy initiative: Will this action contribute to sustained and orderly economic growth or will it merely perpetuate the familiar stop-and-go patterns of the past involving increased government spending without regard for the chronic deficits and economic and financial disruption created, excessive expansion of the money supply, even more government controls over the private economy and increased intervention in private wage and price decisions.

The proper role of government is to create an environment for sustained and orderly economic growth through its fiscal, monetary, and regulatory policies. The disappointing performance of the U.S. economy during much of the last decade emphasizes the basic need for more stable policies. In the mid-1960's the United States began an unfortunate series of exaggerated booms and recessions: serious overheating of the economy created severe price pressures; accelerating inflation caused recessions by restricting housing construction, personal spending and business investment; the recessions created unwanted unemployment which wasted resources and caused personal suffering; rising unemployment too often triggered poorly planned and ill-timed government fiscal and monetary policies setting off another round of excessive stimulus leading again to overheating -- inflation -- recession -- unemployment -- and more government intervention.

From these experiences there is one basic conclusion: Our basic desire for economic progress, through improved living standards and employment opportunities, will be frustrated unless we better control the insidious inflation which has destroyed economic stability and today threatens not only our goal of sustained growth but the ultimate survival of all of our basic institutions. When inflation distorts the economic system and destroys the incentives for real improvement the people will no longer support that system and society disintegrates. I am convinced that our uniquely creative and productive society will also collapse if we permit inflation to dominate economic affairs. There is no tradeoff between the goals of price stability and low unemployment as some critics have erroneously claimed. To the contrary, the achievement of both goals is interdependent. If we are to increase the output of goods and services and reduce unemployment, we must make further progress in reducing inflation.

The intensity of my feelings about inflation has resulted in some critics labeling me as obsessed. However, I am not so much obsessed as I am downright antagonistic toward those who consistently vote for bigger deficits. We must always remember that it is inflation that cuases the recessions that so cruelly waste our human and material resources and the tragic unemployment that leaves serious economic and psychological scars long after economic recovery occurs. It is inflation which destroys the purchasing power of our people as they strive -- too often in a losing struggle -- to provide the necessities of food, housing, clothing, transportation, and medical attention and the desired necessities of education, recreation and cultural opportunities. Inflation is not now, nor has it ever been, the grease that enables the economic machine to progress. Instead, it is the monkey wrench which disrupts the efficient functioning of the system. Inflation should be identified for what it is. The most vicious hoax ever perpetrated for the expedient purposes of a few at the cost of many. And there should be no uncertainty about its devastating impact, particularly for low income families, the elderly dependent upon accumulated financial resources and the majority of working people who do not have the political or economic leverage to beat the system by keeping their incomes rising even more rapidly than inflation. When inflation takes over an economy the people suffer and it is time that this basic point is emphasized by every responsible citizen and the full brunt is brought to bear on their elected officials.

In general there must be more widespread recognition of the fundamental importance of stable economic growth in the future as the only true foundation for maximum employment opportunities and lower unemployment rates, for more moderate rates of inflation which will protect the purchasing power of all Americans and encourage more capital investment that will provide the permanent and productive jobs that people desire, for more efficient use of human and material resources and protection of our environment, and for fulfillment of our international responsibilities in monetary, trade and investment policies. Naturally, there are disagreements about how best to achieve these basic goals but I am convinced that a longer-term time horizon must be used.

-- First, the diversity of problems must be recognized to avoid concentrating on a single issue. Inflation, unemployment, declining output, the availability of productive resources, international trade and investment all must be considered simultaneously to create a balanced program for stable economic growth. The beginning point for sustaining economic growth without the boom and recession distortions of the past is to avoid a return of destructive inflation pressures. From 1890 to 1970 prices in the United States increased at an annual rate of 1.8 percent. From December 1973 to December 1974 they jumped 12.2 percent. It seems so obvious that any long-term solution to our economic problems requires better control of inflation which has distorted the spending and savings decisions of all Americans. Inflation must be clearly recognized for what it is: The greatest threat to the sustained progress of our economy and the personal standard of living of most Americans.

-- Second, government policies must solve more problems than they create. During a period of difficulty it is expedient to respond to strident calls "to do something -- anything to demonstrate political leadership."

But this naively activist approach is too often the basic source of problems not the solution. Courage and wisdom are always required to avoid actions offering the illusion of short-term benefits in exchange for further erosion of the free enterprise system that has served this Nation so well in creating the premier economy of the world and providing the greatest degree of personal opportunities. The conventional wisdom that a few billion dollars of additional government spending somehow makes the difference between success or failure of the entire U.S. economy -- which is rapidly approaching an annual level of output of two trillion dollars -- has always amazed me. There is an important role for governments in protecting certain basic public interests but the claim that governments can or should control the economy is totally false. We would all be better off if government officials would recognize that the real creativity and productivity of America depends upon the private sector.

-- Third, and most important of all, there must be a proper balance in the shared responsibilities of the private and public sectors. This is a difficult assignment because of the confusion and pessimistic appraisals of the future caused by the political and economic shocks that have occurred. Maintaining and improving the creativity and productivity of the U.S. economic system against the attacks of critics who favor a big-government solution for the problems of society has become our greatest challenge. The simplistic cure of having government spend ever increasing amounts of borrowed money has not solved many of our problems but it has created serious economic distortions that will continue long into the future. We now have a Federal Government that is trying to do more than its resources will permit, to do many things that it cannot do very well, to do some things that it should never do at all, and to do all of these things at the same time. As a result, we now have more government than we want, more than we need, and more than we can afford. Nevertheless, much of the current political rhetoric continues to claim that we aren't spending enough, aren't creating enough new government programs, and aren't pushing enough panic buttons. Despite the unmatched accomplishments of the U.S. economy these critics attack the free enterprise system and demand comprehensive governmental control over economic planning for the allocation of our national resources -- the rationing of capital to selected industries -- guaranteed government jobs for all who want them -- increased control over private economic activities -- even a return to the counter-productive wage and price controls that have always failed. Although the American free enterprise system feeds, clothes and houses our people more effectively than any other system in the world, provides the real basis for all of our public services and most importantly is fundamental to our individual freedoms, it is increasingly subject to criticism from those who seem to favor turning to less efficient approaches which would waste our human and material resources and eventually erode our economic progress and political freedoms.

Part of the problem is a matter of image. Those who support increased government spending and pervasive controls over our daily lives are often perceived as being more concerned and socially progressive. Those who allegedly "care more" are given considerable attention when they call for more spending to solve the unmet needs of society even though the growth of big government has become a large part of the problem and not the solution it is alleged to be. At the same time, those who favor the free enterprise system too often converse in simplistic slogans that lack humane appeal. Worst of all, many businessmen who come to Washington seem to want to surrender their existing freedoms in exchange for protection from the competition that has made our system so dynamic.

It is now time -- in fact the need is long overdue -- for those who believe in the free enterprise system to more effectively promote its basic values. America has become the world's premier economy because it provides basic incentives to its people to work hard and to be creative. To the individual family this approach leads to a higher standard of living. To the business firm it means increased markets and larger profits. To our government it means increased effectiveness and public support.

In short, too many Americans -- especially those who have known only the affluent society -- are unaware of the real source of economic growth in our country. The material abundance, the freedoms of choice, the opportunities for meaningful work are all largely the result of the creativity and productivity of our free and competitive economic system. This is the crucial theme that must be communicated to all Americans until they understand it. The American economy is the well spring of our Nation's basic strength in every sphere -- political, social, military and economic. It is the source of our present abundance and the basis of our hopes for a better future. We can solve our recognized problems best by preserving and improving and strengthening rather than weakening our uniquely productive system. And in doing this we will preserve our other freedoms that have made America so great.

II. THE CRUCIAL ISSUE IS STILL FREEDOM

The United States now faces a basic choice. Yet we hear misleading political rhetoric that we can achieve our basic economic goals without making the necessary sacrifices required to produce and pay for the desired goods and services. Our magnificent country is capable of achieving any worthy goal it identifies but we must face up to many economic realities, particularly the obvious point that goods and services cannot be distributed to the consuming public unless they are first produced. We have the human and material resources necessary to operate our open and competitive economic system to achieve our goals if we will create the proper environment. How well we make these basic decisions will ultimately determine what future historians will write about America.

To find the answers we must begin with the correct questions. What has made this a great Nation? What has made people throughout the world talk about the American Dream?

Has it been the land and our natural resources? We have certainly been blessed with an abundance of resources. But in the Soviet Union we see a land mass that is much larger than our own and one which is equally well-endowed. Yet, the Soviet system provides much less for the people. They must turn to the United States for the grain they need to feed their own people and for our technology and capital.

Does our strength depend only on the qualities of our people? We are clearly blessed with one of the largest and most talented populations that the world has ever known. But in China today we see a population that is four times as large as our own, whose civilization at one time was developed far in advance of the rest of the world. Yet their present material standard of living and personal freedoms are most disappointing.

So while our land, resources and people have been essential parts of the American story, there is a third factor that is too often missing in other countries that has contributed to America's progress. That crucial factor has been our national commitment to liberty and individual dignity.

For two hundred years people have streamed to our shores in search of various freedoms -- freedom of religion, freedom of speech, freedom of the press, freedom of assembly, and freedom to seek their fortunes without fear or favor of the government. All of these freedoms are planted firmly in our Constitution. But they have become such a familiar part of our lives that I wonder whether we now take them too much for granted.

There is nothing artificial about freedom, nor is there any guarantee of its permanency. As Dwight Eisenhower once said, "Freedom has its life in the hearts, the actions, and the spirits of men, and so it must be daily earned and refreshed -- else like a flower cut from its life-giving roots, it will wither and die."

There are many ways this can happen, some of them very slow and subtle. For example, there has been an accelerating trend toward collectivist policies in the United States as people have been persuaded that the problems of our society have become so large that individuals can no longer cope with them. Many Americans now expect the government to assume responsibility for solving their problems and to do things for them that they once did for themselves. Government has been gradually cast into the role of trying to solve all the difficult challenges of modern life.

That trend began to accelerate in the 1960's as governments promised the rapid solution of complex political, economic and social problems and the end of economic cycles based on the clever manipulation of government policies. We failed to note that resources are always limited, even in a Nation as affluent as ours. Unfortunately, the inflated expectations and broken promises of the past have left a residue of disillusionment. Many young people are skeptical about our basic institutions and I can't say that I blame them.

International problems, the energy crisis, disappointing harvests, excessive government regulations, wage and price controls and thousands of other specific problems have contributed significantly to the unsatisfactory levels of inflation and unemployment. But the underlying momentum has been basically caused by the excessive economic stimulus provided by the Federal Government for more than a decade. For example:

-- A quadrupling of the Federal budget in just 15 years;

-- A string of 16 budget deficits in 17 years;

-- And a doubling of the national debt in just 10 years time.

The greatest irony of these misguided policies is that they were based on the mistaken notion that they would specifically help the poor, the elderly, the sick and the disadvantaged. Yet when these stop-and-go government policies trigger inflation and unemployment, who gets hurt the most? The very same people the politicians claimed they were trying to help -- the poor, the elderly, the sick and the disadvantaged.

Even more fundamentally, the last fifteen years have seen an acceleration of the trend toward Big Government and the diminishing of economic and personal freedoms in the United States. The Federal government has now become the dominant force in our society. It is the biggest single employer, the biggest consumer, and the biggest borrower. Fifty years ago, total government spending comprised approximately 10 percent of the gross national product; in 1976 that figure will exceed 35 percent. If the government spending trends of the last two decades continue, the total government share of economic activity in the United States will be approaching 60 percent by the year 2000. If the government exercises such a dominating influence in the economy, it will also control many of the personal decisions of its citizens. History shows that when economic freedom disappears personal and political freedoms also disappear. The inextricable relationship between economic freedom and personal freedom is sometimes overlooked by those who constantly seek to expand the powers of government, but it is plain to see in many countries around the world where these freedoms have been lost.

Unfortunately, there is no convenient scapegoat to blame our problems on. As modern governments have usurped the power to increasingly control our daily lives they have done so with good intent thinking that they are the proper authority to determine and then implement the ideals of society. In the process governments have sacrificed individual freedoms for a collective system of rules needed to impose their view of what is best for each of us. But this behavior is merely a reflection of what they believe the people want. It is not "the government" that we should blame -- that is a simplistic excuse -- but the institutions of society, including the colleges and universities, that have created an environment in which equality of status is mistaken for equality of opportunity and security, albeit a false sense of well being, is exchanged for personal freedom. As a result there is an increasing mood of frustration as public skepticism increases about our ability to handle the problems of the future. If this trend continues, most of the freedoms that we cherish will not survive for personal -- political -- and economic freedoms are all intertwined and cannot exist alone. The great historian Gibbon noted this tendency in writing an evaluation of ancient Greece:

In the end, more than they wanted freedom, they wanted security. They wanted a comfortable life and they lost it all -- security, comfort, and freedom. When the Athenians finally wanted not to give to society but for society to give to them, when the freedom they wished for most was freedom from responsibility, then Athens ceased to be free.

Our basic challenge then is to determine how much personal freedom, if any, that we are willing to give up in seeking collectivist security. It is certainly not easy to live with the uncertainties that exist in a free society but the real personal benefits created are far superior to any other system. It is this heritage of personal freedom that has made America a land blessed above all others. To protect this remarkable privilege is a goal worthy of our greatest personal and institutional commitment.

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FOR RELEASE AT 12:00 NOON November 12, 1976

TREASURY TO AUCTION $2,500 MILLION OF 2-YEAR NOTES

The Department of the Treasury will auction $2,500 million of 2-year notes to refund $1,370 million of notes held by the public maturing November 30, 1976, and to raise $1,130 million new cash. Additional amounts of these notes may be issued at the average price of accepted tenders to Government accounts and to Federal Reserve Banks for their own account in exchange for $137 million maturing notes held by them, and to Federal Reserve Banks as agents of foreign and international monetary authorities for new cash only.

Details about the new security are given in the attached highlights of the offering and in the official offering circular.

Attachment

WS-1169

HIGHLIGHTS OF TREASURY
OFFERING TO THE PUBLIC
OF 2-YEAR NOTES
TO BE ISSUED NOVEMBER 30, 1976

November 12, 197

Amount Offered:

To the public..................................	$2,500 million

Description of Security:

Term and type of security.....................	2-year notes
Series and CUSIP designation..................	Series T-1978 (CUSIP No. 912827 GE 6)
Maturity date.................................	November 30, 1978
Call date.....................................	No provision
Interest coupon rate..........................	To be determined based on the average of accepted bids
Investment yield..............................	To be determined at auction
Premium or discount...........................	To be determined after auction
Interest payment dates........................	May 31 and November 30
Minimum denomination available................	$5,000

Terms of Sale:

Method of sale................................	Yield auction
Accrued interest payable by investor..........	None
Preferred allotment...........................	Noncompetitive bid for $1,000,000 or less
Deposit requirement...........................	5% of face amount
Deposit guarantee by designated institutions..	Acceptable

Key Dates:

Deadline for receipt of tenders...............	Thursday, November 18, 1976, by 1:30 p.m., EST
Settlement date (final payment due)	
a) cash or Federal funds.................	Tuesday, November 30, 1976
b) check drawn on bank within FRB district where submitted..........	Wednesday, November 24, 1976
c) check drawn on bank outside FRB district where submitted..........	Tuesday, November 23, 1976
Delivery date for coupon securities...........	Tuesday, November 30, 1976

the Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

Contact: Linda F. Potts
Extension: 2951
November 15, 1976

FOR IMMEDIATE RELEASE

TREASURY ANNOUNCES FINAL COUNTERVAILING DUTY DETERMINATION ON VITAMIN K FROM SPAIN

Under Secretary of the Treasury Jerry Thomas announced today a final determination under the Countervailing Duty Law (19 U.S.C. 1303), that bounties or grants are being paid or bestowed on imports of Vitamin K from Spain. Notice to this effect will be published in the Federal Register of November 16, 1976.

The Countervailing Duty Law requires the Secretary of the Treasury to assess an additional (countervailing) duty that is equal to the size of the bounty or grant that has been paid or bestowed on the production or exportation of the merchandise. Treasury's investigation showed that a bounty or grant of 10.5 percent ad valorem is paid or bestowed, directly or indirectly, on exports of Vitamin K from Spain, under the tax remission system known as "Desgravacion Fiscal."

Imports of the subject merchandise from Spain during the period January through August 1976, amounted to approximately $15,000.

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WS-1170

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

Contact: Peter O. Suchman
Extension: 5538
November 15, 1976

FOR IMMEDIATE RELEASE

TREASURY ANNOUNCES
COUNTERVAILING DUTY INVESTIGATION ON
LEATHER WEARING APPAREL FROM KOREA

Under Secretary of the Treasury Jerry Thomas announced today a formal notice of investigation and receipt of countervailing duty petition with respect to imports of leather wearing apparel from Korea. This action will be published in the Federal Register of November 16, 1976.

Under the U.S. Countervailing Duty Law (19 USC 1303), the Secretary of the Treasury is required to assess an additional (countervailing) duty that is equal to the amount of the bounty or grant that has been found to be paid or bestowed on the imported merchandise. This action is taken pursuant to allegations by the National Outerwear and Sportswear Association, that the Korean Government pays bounties or grants on exports of leather wearing apparel. A preliminary determination in this case must be reached on or before April 18, 1977, and a final determination must be issued by October 18, 1977.

Imports of the subject merchandise from Korea during the first 8 months of 1976 were valued at roughly $46 million.

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WS-1171

DATE: November 15, 1976

TREASURY BILL RATES

	13-WEEK	26-WEEK
LAST WEEK:	4.892	5.044%
TODAY:	4.890	5.018%
HIGHEST SINCE		
__________:		
LOWEST SINCE		
11/1/76:	4.862	
10/18/76	~~[illegible]~~	4.911%

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE November 15, 1976

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $2,500 million of 13-week Treasury bills and for $3,500 million of 26-week Treasury bills, both series to be issued on November 18, 1976, were opened at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing February 17, 1977			26-week bills maturing May 19, 1977		
	Price	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/
High	98.773	4.854%	4.98%	97.473	4.998%	5.20%
Low	98.763	4.894%	5.02%	97.457	5.030%	5.23%
Average	98.764	4.890%	5.02%	97.463	5.018%	5.22%

Tenders at the low price for the 13-week bills were allotted 74%.
Tenders at the low price for the 26-week bills were allotted 28%.

TOTAL TENDERS RECEIVED AND ACCEPTED
BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted	Received	Accepted
Boston	$ 115,240,000	$ 21,150,000	$ 93,985,000	$ 8,565,000
New York	4,385,775,000	1,939,205,000	5,773,385,000	2,984,975,000
Philadelphia	23,115,000	20,685,000	5,315,000	5,315,000
Cleveland	58,310,000	27,485,000	112,530,000	12,530,000
Richmond	26,365,000	20,805,000	56,525,000	22,715,000
Atlanta	84,300,000	30,115,000	21,710,000	19,460,000
Chicago	420,500,000	242,360,000	268,605,000	54,305,000
St. Louis	55,690,000	23,290,000	73,250,000	54,750,000
Minneapolis	25,720,000	18,520,000	59,915,000	40,915,000
Kansas City	99,740,000	69,170,000	25,185,000	22,035,000
Dallas	67,910,000	22,910,000	23,290,000	17,290,000
San Francisco	265,755,000	65,665,000	506,845,000	257,725,000
Treasury	10,000	10,000	130,000	130,000
TOTALS	$5,628,430,000	$2,501,370,000 a/	$7,020,670,000	$3,500,710,000 b/

a/Includes $385,795,000 noncompetitive tenders from the public.
b/Includes $168,460,000 noncompetitive tenders from the public.
1/Equivalent coupon-issue yield.

WS-1172

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE

Contact: J.C. Davenport
Extension 2951
November 16, 1976

TREASURY ANNOUNCES TWO ACTIONS
UNDER ANTIDUMPING ACT

Acting Assistant Secretary of the Treasury Peter. O. Suchman announced two actions today under the Antidumping Act. In the first action, Mr. Suchman announced that he was issuing a tentative negative determination with respect to monosodium glutamate (MSG) from the Republic of Korea. Notice of this action will be published in the Federal Register of November 17, 1976.

Comparisons between the prices for export and those in the home market during the period January 1, 1976-June 30, 1976 yielded no margins.

The investigation was initiated May 14. 1976, following the receipt of a petition in proper form from counsel acting on behalf of a domestic producer of the subject merchandise. A final determination in this case is due within 3 months.

Imports of MSG from the Republic of Korea amounted to approximately 2.7 million pounds, valued at roughly $1.4 million, during the first six months of 1976.

In the other action, Mr. Suchman announced an extension of the investigatory period with respect to pressure sensitive plastic tape from Italy. Because of the complicated nature of the case, the investigatory period is being extended from six months to nine months. Notice of this action will also appear in the Federal Register of November 17, 1976. A tentative decision in this case was to have been made by November 14, 1975, but will now be due on or before February 14, 1977.

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WS-1173

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE AT 4:00 P.M. November 16, 1976

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $6,200 million, or thereabouts, to be issued November 26, 1976, as follows:

90-day bills (to maturity date) in the amount of $2,600 million, or thereabouts, representing an additional amount of bills dated August 26, 1976, and to mature February 24, 1977 (CUSIP No. 912793 E7 7), originally issued in the amount of $3,602 million, the additional and original bills to be freely interchangeable.

181-day bills, for $3,600 million, or thereabouts, to be dated November 26, 1976, and to mature May 26, 1977 (CUSIP No. 912793 G4 2).

The bills will be issued for cash and in exchange for Treasury bills maturing November 26, 1976, outstanding in the amount of $6,206 million, of which Government accounts and Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold $2,707 million. These accounts may exchange bills they hold for the bills now being offered at the average prices of accepted tenders.

The bills will be issued on a discount basis under competitive and non-competitive bidding, and at maturity their face amount will be payable without interest. They will be issued in bearer form in denominations of $10,000, $15,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value), and in book-entry form to designated bidders.

Tenders will be received at Federal Reserve Banks and Branches and from individuals at the Bureau of the Public Debt, Washington, D. C. 20226, up to 1:30 p.m., Eastern Standard time, Monday, November 22, 1976. Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. 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.

Banking institutions and dealers who make primary markets in Government

securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others 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 bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. 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 $500,000 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 or Branch or at the Bureau of the Public Debt on November 26, 1976, in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 26, 1976. 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.

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 considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of bills (other than life insurance companies) issued hereunder must include in his Federal income tax return, as ordinary gain or loss, the difference between the price paid for the 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.

Department of the Treasury 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, or from the Bureau of the Public Debt.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE AT 3:00 P.M. November 18, 1976

TREASURY SECRETARY SIMON RELEASES PROTOTYPE REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

Secretary of the Treasury William E. Simon released today a prototype report entitled "United States Government, Consolidated Financial Statements" (copy attached). This prototype attempts to apply the principles of business accounting to the Federal Government and to serve as the basis for future recurring reports on the financial condition of the U.S. Government. Release of the report, which uses data for fiscal year 1975, is part of a Treasury plan to publish an official report for fiscal year 1977 (the current fiscal year) which ends September 30, 1977. The report is prepared on the accrual basis and contains a statement of financial position, a statement of operations and related schedules.

The prototype report contains a letter from Comptroller General Elmer Staats endorsing the concept of comprehensive financial statements covering Government financial activities. The Comptroller General's letter states, in part, "Although many aspects of these statements require further study and significant changes, we believe these preliminary statements will highlight some of the critical financial problems that should be addressed in making them a permanent part of Government financial reporting. We are pleased that the Federal Government is taking a leading role in promoting more comprehensive financial reporting by Government entities."

In releasing the report, Secretary Simon said: "The business of the Federal Government is to respond to the needs of the country in diverse ways that cannot always be reduced easily to dollar figures on a financial statement. Nonetheless, political processes have financial results, and I believe that the periodic disclosure of those results in a business-like manner can be a useful discipline for Government decision makers and a useful addition to the informational tools available to the electorate.

"It is my hope that as these prototype statements evolve in the next few years, they will enable a more penetrating and realistic assessment of Government programs and a better evaluation of the effect of the Federal Government on the nation's economy.

WS-1175

"Since last January when I first announced the Treasury's intention to compile these statements, some critics have said that we should not report all of the Government's liabilities, particularly the large pension liabilities (for Federal military and civilian personnel, for veterans, for workers covered under the social security program) none of which is presently reported in the Government's major financial statements. Their reasoning is that these liabilities have no economic significance because as a nation 'we owe them to ourselves' and that, in any event, they are fully backed by the taxing power of the Federal Government. I do not want to pre-judge the way that specific items will be treated in future financial statements; but I am totally opposed to any effort to suppress the disclosure of either assets or liabilities that are presently accrued or accruing.

"I often hear comments that pension programs create future liabilities. That is a misnomer. They create present liabilities, earned as people work in covered employment. Only the payment is in the future. I think it is important to tell the American people what they are being committed to now, whether it involves pension programs or other programs, so that they can weigh the future consequences and make an informed judgment about how much of a mortgage they want to put on their future incomes.

"The Treasury's intention is to report all, and only, assets and liabilities that meet the tests of disclosure under generally accepted accounting principles. One of the essential reasons for adopting the accrual basis for these statements was to achieve the discipline provided by a set of financial-economic measurement tools forged in the private sector by a profession founded on independent judgment, objective measurement and fair disclosure of financial data. I have appointed an eminent advisory committee to examine the pension liability disclosure issue as well as other major accounting issues, and to recommend appropriate treatment in future reports.

"In this connection, I emphasize that none of the figures or classifications in the prototype statements represents a commitment to any matter of form or content. The Treasury earnestly seeks advice from anyone on any issue of disclosure or valuation and on ways that the statements can be improved."

Secretary Simon plans to meet and discuss these statements with members of the Advisory Committee on Federal Consolidated Financial Statements at their next meeting on December 8, 1976.

Copies of the prototype Consolidated Financial Statements can be obtained from: Government Accounting Systems Staff, Bureau of Government Financial Operations, Treasury Annex No. 1, Room 412, Washington, D. C. 20226. Telephone (202) 964-8543. After November 20, Telephone (202) 566-8543.

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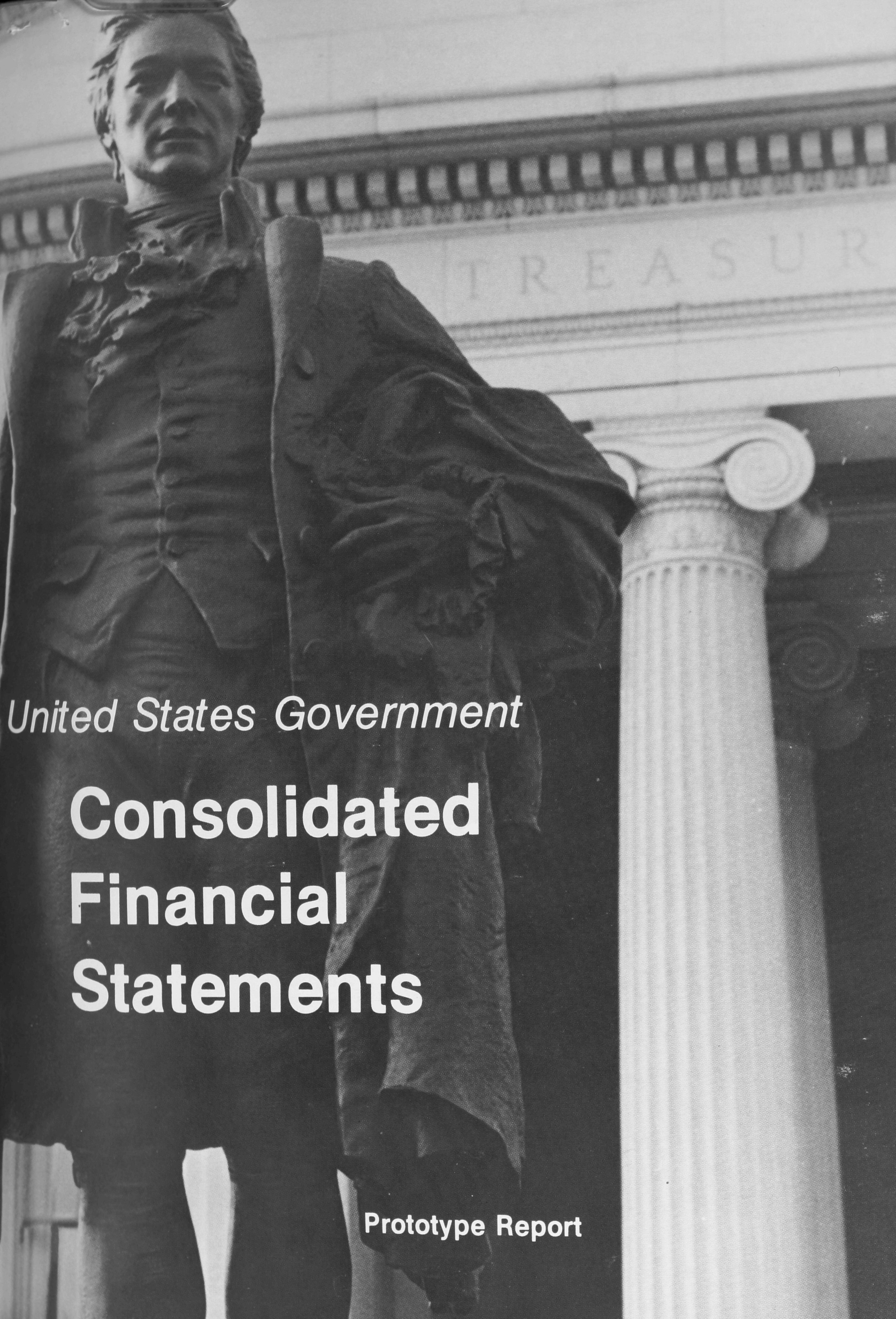
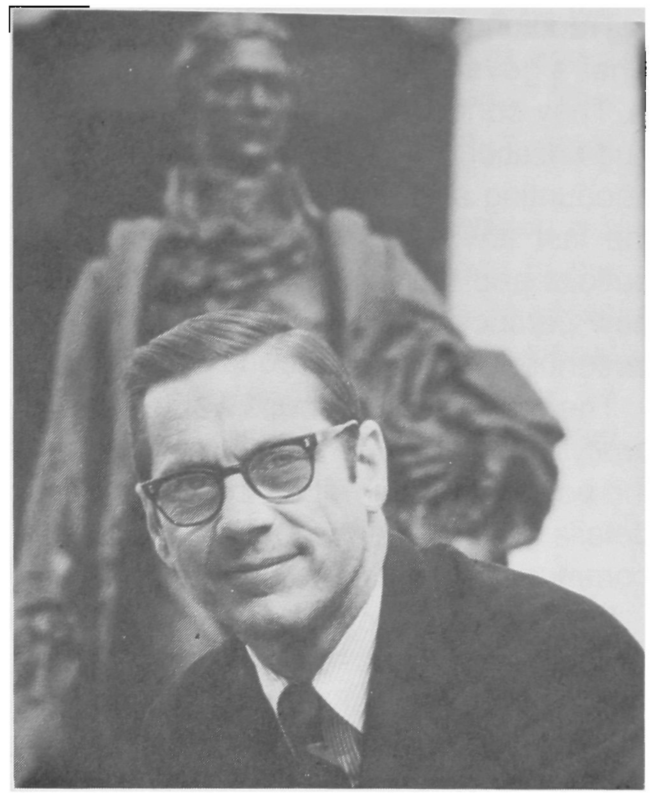


United States Government

Consolidated Financial Statements

Prototype Report



This report is a prototype for an annual recurring report on the financial condition of the U.S. Government. It is an attempt to apply the principles of business accounting to the business of government.

The perception of government in this country is so heavily focused on political processes and social objectives that the financial dimension of government is often obscured. The fact is, nonetheless, that all governments are financial entities. Their ability to achieve their social objectives depends greatly upon their financial health.

Like the institutions that make up the other two great economic sectors of our Nation—business firms and households—governments conduct their business by acquiring and using economic resources, goods and services. They raise money through revenues and borrowings to acquire the resources needed to provide governmental services. Of the resources acquired, some are consumed currently and some are set aside for future use—to generate future revenues or services. Governments also make commitments to provide benefits in the future—commitments that do not have to be financed currently but which must be financed eventually.

Like business firms and households, governments can live within their means or they can become overextended and have difficulty paying the bills. Unless all of the financial transactions and events affecting a governmental entity are recorded, sorted out between what is applicable to current operations and what to future operations, and brought together in a reasonably simple accounting report, the average citizen, or even the financial expert, cannot hope to make an informed judgment about the financial health of the government. This prototype report is a first step in the design of a financial report with the express purpose of facilitating such judgments.

Traditional governmental financial reports seldom provide a simple overview of what a government owns and what it owes or an explanation of how it got where it is. They concentrate primarily on the matter of compliance with specific legislative authorizations. Compliance reporting is an essential function of governmental accounting and nothing in this report is intended to substitute for it. But events of the last few years, particularly the rising and seemingly uncontrollable Federal deficits and the financial crises in major cities and states, point to the need for a new perspective—one that looks at a government as a total financial entity and describes its financial condition in plain language and plain accounting.

The democratic process works best when the citizenry is well informed. Financial analysis is not the forte of the average citizen. But as with most technical subjects, the basics are well within the grasp of the citizen if the jargon is stripped away, the details are condensed to fundamentals, and the financial profile is based on common accounting concepts.

We have turned to business-type accounting for displaying the finances of government because it is the most widely known and understood system of measuring financial activity. Although government purposes are different from business purposes, financial activities and financial control are basically the same. Government is not in business to make a profit and therefore an excess of government revenue or expense does not have the same meaning as corporate profit or loss. It does have meaning, however, for tax policy, expenditure control, debt management, and for the economic goals of containing inflation and fostering high employment. The fiscal responsibility of public management can be judged in relation to those goals, just as the fiscal responsibility of corporate management can be judged in relation to profit goals, liquidity objectives, debt-equity balance, and so on. In other words, measuring profit is only one purpose of business accounting. It serves a wide variety of other management needs of which the most important is reporting on the accountability of management for the resources entrusted to its stewardship. That need is the same whether the accounting is to stockholders, creditors, or taxpayers.

Among the objectives of this type of financial report are these: (1) To provide the general public, which does not have ready access to detailed information, with a resource for obtaining information about the financial condition and operations of the government; (2) to provide information about past events and decisions that will be useful for assessing their economic results and future implications; (3) to provide information for evaluating and predicting the government's ability to raise revenues and acquire resources required for future years; and (4) to provide information for evaluating the effectiveness of past spending decisions.

Early this year, I invited a distinguished group of accountants, economists, and business people to serve on an advisory committee to help the Treasury develop a set of financial statements for the Federal Government that would carry out the ideas expressed in the foregoing paragraphs. This committee is heavily involved in studying a number of the complex issues. I believed that it would be useful, without waiting for the resolution of those issues, to go ahead with the publication of this prototype report in order to expose the basic concept and approach to the general public. Public reaction will help to shape future reports in the most useful mold. I would emphasize that these prototype statements are in conventional formats. There has not been time to experiment with new concepts and formats as many have suggested. However, nothing in this prototype represents a commitment to any matter of form or content. I earnestly solicit advice from anyone on ways that it might be improved.

It is my hope that as these statements evolve in the next few years, they will enable a more penetrating and realistic assessment of proposed programs and a better evaluation of the effect of government on the nation's economy. This prototype statement is a beginning at developing an anchor to which a great number of more detailed financial reports and concepts can be tied.

If the figures in this report raise questions, we will have begun to achieve our basic purpose. The business of government is to respond to the needs of the country in diverse social and economic ways that do not always reduce to easily measurable dollar figures on a financial statement. Nevertheless, political processes have financial results, and the discipline of periodic disclosure can be useful in evaluating our future courses of action. An understanding of the financial health and strength of the government is vital to the governed.

William E. Simon

WILLIAM E. SIMON
Secretary of the Treasury

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

OCT 6 1976

The Honorable
The Secretary of the Treasury

Dear Mr. Secretary:

The need for better accountability and good financial reporting extends to all forms of governments--Federal, State, and local. At the Federal level, the extensive use of deficit financing and the increase in pension liabilities have accentuated the need for the Federal Government to provide better overall financial reports that clearly show, the Congress and the public, the major aspects of its financial position and operations. Consequently, we endorse the concept that comprehensive, periodic financial statements covering the full range of Government activities be prepared in brief, easily understandable form, and we support the Treasury's effort to prepare such statements.

Although we endorse the concept of comprehensive financial statements covering Governmental financial activities, we believe the enclosed statements must be considered a first attempt and that before fully satisfactory financial statements can be prepared many aspects of presenting information and determining appropriate amounts for assets and liabililties require further study. These include:

--Changing statement formats and simplifying language so the statements will be easier for the public to understand.

--Valuing assets such as land, buildings, and defense weapons systems appropriately; many such assets are carried at no value or at outdated cost figures that are virtually meaningless.

--Making sure that the amounts shown for pension liabilities are a fair presentation of actual liabilities.

--Determining whether it is appropriate to depreciate all assets; particularly such assets as ships and aircraft.

--Accruing taxes receivable properly.

These are just some of the aspects we believe need to be considered further in preparing subsequent statements. A full listing of such aspects would be substantially longer.

As noted above, these statements are preliminary; we have not examined or audited them. Accordingly, we are not expressing an opinion on whether they fairly present the financial condition and results of Government operations for the periods of time they cover.

Although many aspects of these statements require further study and significant changes, we believe these preliminary statements will highlight some of the critical financial problems that should be addressed in making them a permanent part of Government financial reporting. We are pleased that the Federal Government is taking a leading role in promoting more comprehensive financial reporting by Government entities.

Sincerely,

Elmer B. Staats

Comptroller General
of the United States

UNITED STATES GOVERNMENT
Consolidated Statement of Financial Position
June 30, 1975 and 1974

[*Amounts in billions*]

Assets

	1975		1974	
	Amount	% Assets	Amount	% Assets
Cash and Monetary Assets:				
Cash and cash equivalents	$ 12.8	3.6	$ 14.7	4.5
Other monetary assets (Note 1)	16.2	4.6	14.9	4.5
	29.0	8.2	29.6	9.0
Receivables (net of allowances):				
Accounts	5.5	1.6	5.5	1.7
Taxes (Note 2)	11.8	3.3	15.0	4.6
Loans (Note 3)	82.7	23.3	64.5	19.7
	100.0	28.2	85.0	26.0
Inventories, at cost (Note 4):				
Military and strategic systems supplies	33.5	9.4	28.0	8.6
Stockpiled materials and commodities	11.6	3.3	11.5	3.5
Other materials and supplies	12.2	3.4	11.1	3.3
	57.3	16.1	50.6	15.4
Property and Equipment, at cost:				
Land (Note 5)	7.0	2.0	6.6	2.0
Buildings, structures and facilities (Note 6)	92.1	26.0	88.5	27.0
Strategic and tactical military assets (Note 7)	126.6	35.6	119.9	36.7
Nonmilitary equipment (Note 7)	41.1	11.6	39.7	12.1
Construction in progress	18.0	5.1	19.3	5.9
Other	2.1	.6	2.1	.6
	286.9	80.9	276.1	84.3
Less-Accumulated depreciation (Note 8)	136.5	38.5	128.9	39.3
	150.4	42.4	147.2	45.0
Deferred Charges and Other Assets	18.0	5.1	15.0	4.6
	$354.7	100.0	$327.4	100.0

Liabilities and Equity

	1975 Amount	1975 % Assets	1974 Amount	1974 % Assets
Federal Debt (Note 9):				
Gross debt outstanding	$544.1	153.4	$486.2	148.5
Less-Intragovernmental holdings:				
Trust funds	137.3	38.7	129.7	39.6
Other	9.9	2.8	10.4	3.2
Debt outstanding with the public	396.9	111.9	346.1	105.7
Less-Unamortized discount	2.5	.7	2.5	.8
	394.4	111.2	343.6	104.9
Payables:				
Accounts	35.9	10.1	32.5	9.9
Interest, annual leave and other	11.0	3.1	9.2	2.8
Unearned revenue	8.3	2.4	6.7	2.1
	55.2	15.6	48.4	14.8
Retirement and Disability Benefits (Note 10):				
Civil Service	118.0	33.3	108.0	33.0
Military	96.6	27.2	80.4	24.6
Veterans	117.3	33.0	111.0	33.9
	331.9	93.5	299.4	91.5
Accrued Social Security (Note 11)	499.5	140.8	416.0	127.1
Other Liabilities	39.4	11.1	33.6	10.2
Contingencies (Note 12)				
Total Liabilities	1,320.4	372.2	1,141.0	348.5
Less-Excess of Liabilities Over Assets	965.7	272.2	813.6	248.5
	$354.7	100.0	$327.4	100.0

The accompanying notes to financial statements and schedules are an integral part of this statement.

UNITED STATES GOVERNMENT
Consolidated Statement of Operations for the Years Ended June 30, 1975 and 1974

[Amounts in billions]

	1975 Amount	1975 % Revenues	1974 Amount	1974 % Revenues
Revenues:				
Individual income taxes	$122.4	43.5	$119.0	43.2
Social security and unemployment taxes and retirement contributions	86.4	30.7	76.8	27.9
Corporate income taxes	37.5	13.3	40.7	14.7
Excise taxes	16.6	5.9	16.8	6.1
Estate and gift taxes	4.6	1.6	5.0	1.8
Outer continental shelf rents and royalties	2.4	.9	6.8	2.4
Other	11.7	4.1	10.8	3.9
Total revenues	281.6	100.0	275.9	100.0
Expenses (including transfer payments):				
National defense:				
Military personnel	24.9	8.8	23.7	8.6
Operations and maintenance	29.8	10.6	27.7	10.1
Research and development	8.9	3.2	8.6	3.1
Depreciation (Note 8)	7.7	2.7	11.1	4.0
Other	1.6	.6	1.4	.4
	72.9	25.9	72.5	26.2
Other operating expenses	45.8	16.3	42.0	15.3
Grants-in-aid, primarily to State and local governments	48.3	17.2	41.5	15.1
Transfer payments to individuals:				
Income security, including retirement, unemployment and social security payments made	97.2	34.5	69.4	25.2
Health care	14.6	5.2	11.3	4.0
Veterans benefits and services	12.7	4.5	10.4	3.8
Other	3.0	1.1	6.9	2.5
	127.5	45.3	98.0	35.5
Noncash provisions for retirement and disability benefits:				
Social security (Note 11)	83.4	29.6	75.1	27.2
Civil service, military and veterans (Note 10)	32.5	11.5	20.5	7.4
	115.9	41.1	95.6	34.6
Interest expense (net of interest income)	23.3	8.3	21.5	7.7
Total expenses	433.7	154.1	371.1	134.4
Excess of expenses over revenues	$152.1	54.1	$95.2	34.4

The accompanying notes to financial statements and schedules are an integral part of this statement.

UNITED STATES GOVERNMENT
Effect of Including the Federal Reserve in the Consolidated Statement of Financial Position
June 30, 1975

[*Amounts in billions*]

	Excluding Federal Reserve	Changes*	Including Federal Reserve
Assets			
Cash and monetary assets	$ 29.0	$ (.9)	$ 28.1
Receivables	100.0	.3	100.3
Inventories	57.3	-	57.3
Property and equipment net of accumulated depreciation	150.4	.3	150.7
Deferred charges and other assets	18.0	2.5	20.5
	$354.7	$ 2.2	$356.9
Liabilities and Equity			
Federal debt net of Federal Reserve	$394.4	$(85.0)	$309.4
Federal Reserve Notes outstanding		70.9	70.9
Deposits of member banks of the Federal Reserve System		25.8	25.8
Other Federal Reserve liabilities	-	2.4	2.4
Payables, accounts, interest, leave, and other	55.3	(.9)	54.4
Other Government liabilities	39.4	(11.6)	27.8
Retirement and disability benefits	331.8		331 8
Accrued social security	499.5		499.5
Excess of liabilities over assets	(965.7)	.6	(965.1)
	$354.7	$ 2.2	$356.9

* *Changes due to the Federal Reserve are based on figures provided in the Board's annual report as of December 31, 1974.*

UNITED STATES GOVERNMENT

Reconciliation Schedule of Accrual Operating Results to the Budget Deficit for the Year Ended June 30, 1975

[*Amounts in billions*]

Reported Budget Outlays over Receipts		$ 43.6
Additions:		
Noncash provisions for retirement and disability benefits	$115.9	
Depreciation	7.7	
Net expenses of Off-budget Agencies	9.5	
		133.1
		176.7
Deductions:		
Capital outlays	19.7	
Net effect of accrual adjustments	4.3	
Seigniorage	.6	
		24.6
Excess of expenses over revenues per Consolidated Statement of Operations		$152.1

INTRODUCTORY STATEMENT TO FOOTNOTES

As is true of accounting in other types of economic entities, governmental accounting exists for the purpose of providing complete and accurate financial information, in proper form and on a timely basis, to those responsible for, and concerned with, the operations of governmental units and agencies. Some of the potential user groups interested in the financial information produced by the Federal Government include the general public, investors and investment bankers, such individuals as accountants, financial analysts, economists, and political scientists and other governments.

While the Federal Government presently prepares many types of statements for specialized users, these Federal Consolidated Financial Statements have been prepared to serve the common needs of a variety of users, with emphasis on the general public, to help promote understanding of the overall financial condition of the Federal Government. The statements are primarily historical in that information about events that have taken place provide the basis for our reporting. No projections concerning future events have been made except where otherwise noted.

The sources used in developing the statements were predominantly Treasury publications supplemented by reports from both the civilian and military sectors of the Federal Government. For the most part, these publications and reports are a product of the agencies' accounting systems, which, by law, must conform in all material respects to the accounting principles, standards and related requirements prescribed by the Comptroller General of the United States. The maintenance of accounts on the accrual basis is a basic requirement for all Federal agencies. The accrual basis of accounting consists of recognizing in the books and records of account the significant and accountable aspects of financial transactions or events as they occur. Under this basis, the accounting system provides a current systematic record of changes in assets, liabilities, and sources of funds growing out of the incurrence of obligations, expenditures, and costs and expenses; the earning of revenue; the receipt and disbursement of cash; and other financial transactions.

This basis of accounting provides more information than the cash basis alone, under which financial transactions are recorded in the accounts only when cash is received or disbursed. It also provides more information than the obligation basis alone, under which financial transactions involving use of funds are recorded in the accounts primarily when obligations are incurred.

The accompanying financial statements include the accounts of all significant agencies and funds included in the Unified Budget of the United States Government. Agencies like the U.S. Postal Service, the Export-Import Bank of the United States, and the Federal Financing Bank which are classified as "off-budget" (not included in the budget) have been included in the financial statements because they clearly are within the scope of Government operations. Government-sponsored enterprises such as Federal Land Banks have been excluded because they are privately owned. We have also excluded the financial results of the Federal Reserve System from the principal statements, but show the effect of including the Federal Reserve in a supplemental table to show the interrelationships due to (1) the amount of Federal debt held, (2) gold pledged to FRB's in return for Treasury demand deposits, (3) annual transfer of net income to Treasury, and (4) in the event of liquidation, after return of capital to member banks, residual assets would go to Treasury. Intra-governmental assets, liabilities, and revenue/expense items have been eliminated in consolidation. Amounts reflected are as of June 30, 1975, and 1974.

NOTES TO FINANCIAL STATEMENTS

1. Other Monetary Assets

This category includes the following items: Gold which has been recorded at the official rate of $42.22 per ounce established by law—$11.6 billion; Special Drawing Rights which are an international reserve asset—$2.4 billion; and the United States reserve position with the International Monetary Fund—$2.2 billion.

2. Taxes Receivable

The total for taxes receivable includes $6.4 billion (net) for delinquent taxes owed and $5.4 billion of accrued corporate taxes receivable as of June 30, 1975; the comparable amounts as of June 30, 1974, where $5.0 billion and $10.0 billion, respectively. No accrual has been made for individual income taxes because of the payroll withholding system. Also, assessed tax deficiencies pending settlement have not been included in receivables because the ultimate settlement value is indeterminable.

3. Loans Receivable

Interest rates and loan repayment terms vary considerably for outstanding loans, with rates varying to 12 percent and terms from as short as 90 days to well over 40 years. The longer terms and lower rates generally apply to loans to foreign governments. Outstanding balances and allowances for losses have been recorded as reported by various lending agencies. No attempt has been made to evaluate collectability or the adequacy of the allowances for losses.

4. Inventories

Inventories include nondepreciable personal property and are generally stated at cost. The major components of inventory are summarized below.

Classification	1975 (Billions)	1974 (Billions)
Military and strategic supplies:		
Ammunition	$11.9	$9.4
Materials related to missile, air and weapons systems	12.5	11.3
Repair parts for weapons and vehicles	2.6	2.5
Excess materials awaiting disposition	2.3	2.4
Miscellaneous	4.2	2.4
	33.5	28.0
Stockpiled materials and commodities:		
Nuclear materials	7.1	6.6
Metals and like materials	4.0	4.4
Helium	.5	.5
	11.6	11.5
Other materials and supplies:		
Department of Defense:		
Electric, industrial and petroleum supplies	3.8	4.1
Clothing, subsistence and general supplies	2.6	1.9
Excess materials awaiting disposition	2.0	2.2
Miscellaneous	.7	.5
	9.1	8.7
Other agencies	3.1	2.4
	12.2	11.1
	$57.3	$50.6

The inventory accounts do not include the weapons stockpile of Energy Research and Development Administration, since the extent of this inventory is classified information.

5. Land

Land owned by the Federal Government as of June 30, 1975, is summarized below by predominant usage.

Usage	Acres (Millions)	Cost (Millions)
Forest and wildlife	502.3	$589
Grazing	164.0	26
Parks and historic sites	25.3	618
Alaska oil and gas reserves	23.0	—
Military (except airfields)	18.1	334
Flood control and navigation	8.0	3,381
Reclamation and irrigation	7.0	313
Industrial	2.9	206
Airfields	2.3	199
Power development and distribution	1.5	273
Other	6.0	933
	760.4	6,872
Outside United States	.6	152
	761.0	$7,024

The Government owns approximately 33.5 percent of the total acreage of the United States, or 760.4 million acres (of which 352 million acres are located in Alaska). This total includes 704 million acres of public domain land. The Outer Continental Shelf and other offshore lands are not included.

Cost represents the price paid by the Government, except that the cost of land acquired through donation, exchange, bequest, forfeiture, or judicial process is estimated at amounts the Government would have paid if purchased at the date of acquisition. The 704 million acres of public domain land is not included; however, in 1972 a committee of the House of Representatives estimated the value of the land to be $29.9 billion.

6. Buildings, Structures and Facilities

This category includes all real property owned by the Federal Government except land. The annual rental of real property leased amounts to $0.6 billion annually. Approximately $41 billion of the total at June 30, 1975, and $36 billion at June 30, 1974, reflects the acquisiton cost of buildings, whereas the balance includes the costs of acquiring or erecting dams, utility systems, monuments, roads, and bridges. The following table summarizes the buildings, structures, and facilities reported.

Agency or department	(Billions) 1975	1974
Air Force	$17.1	$16.7
Army:		
Corps of Engineers	14.9	14.3
Other	12.6	12.1
Navy	12.6	12.2
Interior	9.2	9.0
Tennessee Valley Authority	5.6	4.8
Energy Research and Development Administration	7.1	4.2
Agriculture	3.2	3.0
National Aeronautics and Space Administration	2.6	2.5
General Services Administration	2.4	2.4
Other	4.8	7.3
	$92.1	$88.5

7. Depreciable Personal Property

Depreciable personal property has been divided into two categories. Assets are recorded at acquisition cost and include only those which are currently in use or in usable condition. The major components of each category are summarized below.

Classification	(Billions) 1975	1974
U.S. Strategic and Tactical military assets:		
Aircraft and related equipment	$51.6	$51.0
Ships and service craft	38.0	36.3
Combat and tactical vehicles	17.8	16.9
Missiles and related equipment	10.6	9.7
Weapons	3.9	1.1
Other (primarily ground support)	4.7	4.9
	$126.6	$119.9
U.S. Nonmilitary equipment:		
Department of Defense:		
Industrial plant equipment	$13.9	$14.0
Communication and electronics	4.9	4.1
Vehicles	2.4	2.2
Other	1.1	1.4
	22.3	21.7
Energy Research and Development Administration	6.0	5.8
Maritime Administration	1.6	1.5
Tennessee Valley Authority	1.4	1.4
U.S. Postal Service	1.4	1.2
Other agencies	8.4	8.1
	$41.1	$39.7

8. Depreciation

Most Government agencies do not depreciate property and equipment. Accumulated depreciation as of June 30, 1975 and 1974, for such agencies was estimated, on a straight line basis, based on available information. Reported amounts were used for those agencies; e.g., TVA and Postal Service, which do depreciate property and equipment. The useful lives for each classification of asset are as follows: Buildings, structures and facilities 50 years; Ships and service craft 30 years; Industrial plant equipment 20 years; All other depreciable assets - 10 years.

9. Federal Debt

The gross amount of Federal debt outstanding at June 30, 1975, and June 30, 1974, consisted of the securities summarized below.

Type of security	(Billions) 1975	1974
Marketable:		
Treasury bills	$128.6	$105.0
Treasury notes	150.2	128.4
Treasury bonds	36.8	33.2
	315.6	266.6
Nonmarketable:		
U.S. Savings bonds	65.5	61.9
Foreign series	23.2	25.0
Government account series (special issues related to specific funds)	124.2	115.4
Other	4.7	5.3
Total Treasury obligations	533.2	474.2
Agency securities	10.9	12.0
	$544.1	$486.2

Maturities of the outstanding marketable securities are reflected in the following tables.

Due Within—	(Billions) 1975	1974
One year	$164.0	$139.9
One to five years	101.9	77.2
Five to ten years	26.8	27.0
Ten to twenty years	14.5	17.4
Twenty years or longer	8.4	5.1
	$315.6	$266.6

The gross amount of Federal debt outstanding has been reduced by the holdings of entities included in the Consolidated Financial Statements. The largest such reduction reflects the holdings of Government trust funds. Significant trust fund holdings of Federal debt securities are summarized below.

Trust fund	(Billions) 1975	1974
Social Security Administration:		
Federal old-age and survivors' insurance	$39.9	$37.7
Federal disability insurance	8.1	8.2
Federal hospital insurance	9.8	7.9
Federal supplementary medical insurance	1.4	1.2
	59.2	55.0
Civil Service Commission:		
Civil service retirement and disability	38.6	34.3
Other	2.0	1.7
	40.6	36.0
Department of Labor-unemployment	7.2	12.1
Department of Transportation:		
Highway	9.6	7.6
Other	1.9	.9
	11.5	8.5
Veterans Administration	8.1	7.6
Federal Deposit Insurance Corporation	6.2	5.8
Other	4.5	4.7
	$137.3	$129.7

Of the debt outstanding with the public as of June 30, 1975, and June 30, 1974, approximately $66.0 billion and $57.7 billion, respectively, was held by foreign and international investors.

10. Retirement and Disability Benefits

Liabilities for military retirement benefits and for retirement and disability benefits provided under Civil Service have been recorded based on the estimated present values of vested benefits. These were derived from the actuarially computed present values of future benefits (as computed by the agencies involved with administering the various plans) less the present values of future employee contributions.

The liability for Veterans Administration benefits represents the computed present value of annual benefit payments, which have been estimated by the Veterans Administration to the year 2000. The noncash provisions for retirement and disability benefits of $32.5 billion for 1975 and $20.5 billion for 1974 represent the combined changes in liabilities for civil service, military retirement and veterans benefits between years.

Liabilities for several other Government plans providing future benefits were not included at this time, since it has not been determined whether the total liabilities for such plans would be significant in relation to amounts shown.

11. Accrued Social Security

Estimates for social security give consideration to contributions (taxes) and benefits for the next 75 years. As of June 30, 1975, the projected excess of benefits over contributions, on a present value basis, for present participants over the next 75 years is $2.7 trillion. The full accrued liability on a level cost basis as it would be computed for a private pension plan is estimated to be in the $3-4 trillion range.

Only a portion of the full liability is shown in the Statement of Financial Position, $499 billion for 1975 and $416 billion for 1974. These amounts represent an approximate application of the Accounting Principles Board's Opinion No. 8, using a 30-year amortization period. The Treasury's Advisory Committee is considering the appropriate disclosure for future reports.

The noncash provisions for social security of $75.1 billion in 1974 and $83.4 billion in 1975, in the Consolidated Statement of Operations, represents changes in the social security accrual between years.

12. Contingencies

Several Government agencies insure businesses and individuals against various risks. The amount of insurance coverage in force, representing the maximum contingent exposure of the Government, is summarized below as of June 30, 1975.

Nature of Coverage	(Billions)
Federal Deposit Insurance Corporation	$549.0
Federal Savings and Loan Insurance Corporation	257.0
Housing and Urban Development—Riot Insurance	450.0
Nuclear Regulatory Commission (Formerly Atomic Energy Commission)	59.0
Other	166.0
	$1,481.0

The Government also guarantees loans made to businesses and individuals by non-Government enterprises. These guarantees become liabilities of the Government only when the Government is required to honor its guarantees. Loan guarantees in force at June 30, 1975, are summarized below.

Guarantees related to	Amount Outstanding (Billions)
Federal Housing Administration	$98.6
Veterans Administration	27.9
Farm Credit Administration	28.8
Federal Home Loan Bank Board	25.6
Federal National Mortgage Association	29.1
Other	40.4
	$250.4

The Government also commits itself to provide services by passing laws which make spending mandatory. It should be noted that some of these programs are included in the Consolidated Financial Statements. Examples include social security and other benefit programs and some contractual obligations which have already been accrued. However, the point is that a significant amount of future spending is fixed by law. Therefore, it is very probable that the Government will pay for these programs in future years. The list below shows programs for Fiscal Year 1975 which cannot be stopped until a law is changed.

	(Billions)
Social security and railroad retirement	$68.4
Federal employees' retirement and insurance	13.3
Unemployment assistance	14.0
Veterans benefits	12.4
Medicare and Medicaid	21.6
Housing payments	2.1
Public assistance and related programs	16.9
Subtotal, payments for individuals	148.7
Net interest	23.3
General revenue sharing	6.1
Other open-ended programs and fixed costs	8.7
Total, open-ended programs and fixed costs	186.8
Outlays from prior-year contracts and obligations	50.7
Total, relatively uncontrollable costs	237.5
Relatively controllable outlays	91.1
Undistributed employer share, employee retirement	(4.0)
Total budget outlays	$324.6

Advisory Committee on Federal Consolidated Financial Statements

The role of the advisory committee is to provide advice on a number of issues confronting the Treasury in the preparation of consolidated financial statements for the U.S. Government. While the Treasury's initial prototype statement is in production, the advisory committee will be considering, in detail, a number of technical issues; namely, objectives to be served by the statements, format of the statements, and accounting and reporting for pensions, commitments, and contingencies. It is expected that their views on these issues will be incorporated in subsequent publications of these statements. In the interim, Treasury considers it worthwhile to expose for comment the accompanying statements which represent one of the statement formats currently being considered by the advisory committee. The Treasury acknowledges the support and continuing assistance from the members of the Committee:

Mr. Harvey Kapnick, CPA	*Chairman, Arthur Andersen & Co.* *Chairman of Advisory Committee on Federal Consolidated Financial Statements*
Dr. Wilton Anderson, CPA	*Head of Accounting Department, Oklahoma State University* *Past President of American Accounting Association*
Mr. John Biegler, CPA	*Senior Partner, Price Waterhouse & Co.* *President of the Board of Trustees, Financial Accounting Foundation*
Mr. Ivan Bull, CPA	*Managing Partner of McGladrey, Hansen, Dunn & Co.* *Chairman of the Board of American Institute of Certified Public Accountants*
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CONSOLIDATED FINANCIAL STATEMENTS

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FOR RELEASE AT 7:00 P.M.

ADDRESS BY THE HONORABLE
WILLIAM E. SIMON
SECRETARY OF THE TREASURY
BEFORE THE
INTERRACIAL COUNCIL FOR BUSINESS OPPORTUNITY OF NEW JERSEY
NEWARK, NEW JERSEY
NOVEMBER 17, 1976

I greatly appreciate the opportunity to be with you tonight and to meet so many of the men and women whose dedicated efforts and deep sense of commitment have made your organization an outstanding example of American voluntarism in action.

You have recognized and are meeting a critical challenge. Many members of minority groups are not normally exposed to the opportunities of a business career, nor do they have the chance to acquire the management know-how needed to make a success of it. You are making remarkable progress right here in New Jersey not only in meeting both problems head on but in creating sorely-needed jobs as well.

Your efforts to help people organize and operate their own businesses include:

-- One-to-one counseling in buying, selling, promoting, setting up books and financial systems -- the whole gamut of business skills.

-- Your loan assistance program which in the three years ending in 1975 alone provided loans totaling nearly $8 million which are expected to translate into nearly 1,000 jobs, an annual payroll of $9.2 million and gross sales of close to $43 million.

-- Your nationally recognized management training seminars which draw hundreds of participants from throughout New Jersey and neighboring areas.

-- Your minority vendor guides, a catalyst in bringing minority firms together with industry and government contractors.

-- And your continuing concern for long-term minority economic advancement and the sound growth and development of your neighborhoods.

WS-1176

In short, the Interracial Council for Business Opportunity of New Jersey, like its counterparts in six other states, often makes the difference between an unattainable dream and the reality of entrepreneurship that provides jobs, services, products, stability and renewed hope and increased pride to the community at large.

Significantly, what you achieve is on a voluntary, people-to-people basis. What you offer your clients is not a handout from a remote government office but a helping hand from a neighbor. And the help you give ignites the same spirit that led earlier generations of Americans to raise log cabins and tame a savage continent -- the spirit of self-reliance, self-help, self-respect.

We in the Administration are proud to cooperate with such efforts. As you know, the national ICBO is one of 300 organizations working closely with the Office of Minority Business Enterprise of the Commerce Department. As you also know, that Office's MESBIC program encourages the participation of private industry and private investors in minority business growth. There are now 83 MESBICS -- small business investment companies serving as a source of $46 million in private capital. These corporations, though aided by the Federal Government, are privately owned and managed to encourage greater private initiative and flexibility in channeling funds to enterprises ranging from TV stations to barber shops.

But numbers alone simply do not tell the story. I could reel off a statistical laundry list for dozens of pages, inventorying the many Federal activities aimed at economic progress for minority Americans. But you are probably even more familiar with them than I am.

So, instead, let me try to briefly describe the conviction and philosophy behind those programs and then tell you a little bit about one very significant case history.

The view of the Administrations I have served -- and it is my sincere personal view as well -- is that you cannot separate economic liberty from political liberty. When one is weakened, so is the other. When one is strengthened, the other gains strength too.

For this reason, freedom has always been the bottom line of our economic policies, just as it is the bottom line of the long and ongoing social struggle for racial justice.

In social terms, this means aiming at three basic goals: equal opportunity for all, upward mobility for all, and shared prosperity for all.

But in strictly economic terms, none of these three goals can be achieved without increased productivity and a healthy, sustained growth in the private sector. Why the private sector? Because it is the private sector which must ultimately provide the jobs, the salaries and the opportunities for most Americans of all races and creeds -- and which must also produce the revenues -- through direct and indirect taxation -- which pay the costs for government programs as well.

The struggle for economic justice is far from over, but when you look at the record you find that -- when people have harnessed the genius of our free enterprise system to the goal of minority progress -- miracles have been achieved. Let me give you a very short description of one such case. Some of you may already be familiar with it -- but I think you will agree that it is a story worth repeating.

In 1964 Reverend Leon H. Sullivan, a black pastor and civic leader, founded the first Opportunity Industrialization Center. The place was a high crime section of North Philadelphia. There were no vast, cheering crowds and no bold fanfares that day in 1964 and the site of the opening -- an abandoned jailhouse -- was not exactly a glamorous one.

But from that humble beginning, truly great things have been achieved. Reverend Sullivan's aim was as simple as it was important -- to avoid bureaucratic red tape and waste, and to provide relevant job training and placement with maximum efficiency at a minimum cost.

His program has been so successful that there are now local OIC affiliates in every part of the country. And between 1964 and 1975 the program trained 353 thousand men and women and placed 250 thousand in jobs with an impressive 85% retention rate. These OIC trained and placed workers earned nearly $5 billion during the same period, paid $600 million in Federal taxes and saved the taxpayer $1.5 billion in potential welfare payments.

But far more important than what the OIC has saved the taxpayer is what it has given to thousands of young men and women who can now lead their lives with confidence and dignity -- it has helped them to help themselves to a freer, better way of life.

You in the Interracial Council, Reverend Sullivan's OICs, and similar groups across the nation can prove that our free enterprise system is not only there, but waiting to be tapped for the benefit of every man, woman and child in America, regardless of color, creed or national origin. You can help extend the reach of this dynamic economic system to many who are now left out of it and thus enlarge the economic pie so that all citizens may enjoy an increasingly larger share of prosperity.

That, my friends, is what your organization is all about and that is what America is all about.

A few weeks before the recent political campaign ended, Eric Sevareid of CBS News made this wry comment: "Election day is not far off; it just seems that way."

That remark summed up the attitude of many of us then because, regardless of their overriding importance and the essential role played by political campaigns in shaping and underscoring the issues, the nation traditionally breathes a sigh of relief when they are over. The unresolved problems and deferred tasks of the nation remain, and how much easier it is to come to grips with them in an atmosphere a little less rhetorical, less strident, less tumultuous than during a campaign at its zenith.

Now that Campaign 1976 is over, what are the unresolved problems and deferred tasks facing this country? Whether we are Democrats or Republicans or Independents or anything else, I venture to say that all Americans can agree on these basic economic goals:

° We all want optimum employment so that men and women can reach their full productive potential, can provide food and shelter for their families, and can live with pride and dignity.

° We all want a robust, expanding economy so that people from every background can steadily raise their living standards.

° We all want stable prices so that workers can make every dollar of wages count and those on fixed incomes can enjoy security.

° And we want equal opportunity so that all Americans can share fully in the blessings of freedom and prosperity.

On this latter point, your speaker last year, the Honorable Peter Rodino, put it succinctly: "We know now that only as our black and other minority citizens are integrated into the economic mainstream of America will true equality be achieved."

Congressman Rodino was absolutely right. We must never forget that millions of blacks and other minorities have for years been on the short end of the job statistics in this country and that one of the causes has been economic discrimination. Even now, the figures are distressing; minority unemployment at more than 13 percent; unemployment among minority teenagers at over 38 percent; the median income of black families only two-thirds that of white families; and nearly a third of all blacks still below the poverty line.

All of our goals -- full employment, an expanding economy, stable prices and full and equal opportunity -- are great goals that must be pursued with the same determination, the same tenacity and the same sense of overriding purpose that so many of you here in this room tonight have shown in carrying forward your own important and related work.

But just what is the best way to achieve these goals which we all share?

We Americans are a compassionate people. My experience in Washington convinces me that almost every man and woman in a position of high public trust cares deeply about the well-being of our people. The central question today is not "who cares?" -- we all care -- but rather how best we can broaden prosperity, reduce human hardship and achieve our shared goals without sacrificing our freedom or destroying the most successful economic system that man has ever known.

Since 1962 our federal budget has exploded from $100 billion to a figure that will certainly top $400 billion in this fiscal year. That means that today, and every day in fiscal 1977, the Federal Government will spend more than $1 billion. And this week and every week it will go into debt for at least another $1 billion. No wonder it has been in the red for 16 out of the last 17 years.

In the past 10 years, the U.S. Treasury has had to borrow half a trillion dollars in the private capital markets to finance those deficits. The interest on the Federal debt alone will soon reach over $45 billion -- more than we spent in any one year on the war in Vietnam, and almost half of what we spent on total national defense last year. And it is money, I'm sure you will agree, that could be better spent on improvements in health care, public transportation, rebuilding our cities, any of a dozen public needs, or in creating growth and new jobs in the private sector.

As businessmen and women you know, too, that it spells disaster to borrow and continue to spend more than you take in for too long. You know that heavy Government borrowing has fueled inflation and increased interest rates so that strains have developed in money and capital markets. Many of you have felt these strains as you or your clients have sought loans to expand your business and create new jobs, or to buy a home without paying an arm and a leg in mortgage interest.

Added to that is the weight of excessive government regulations and red tape which threaten to overwhelm many small businesses and tie our free enterprise system in knots. Government now controls over 10 percent of everything we produce and indirectly controls most of the rest. Private enterprise must now devote 130 million man-hours a year simply to fill out all the necessary Federal forms. That translates into a cost to consumers of $125 billion -- or the equivalent of $2,000 for every American family each year.

The Federal Government today is the nation's biggest single employer, consumer, borrower, and is the biggest source of inflation in the United States economy. And it was precisely this inflation that was the underlying cause of the worst recession our country has experienced in a generation -- a recession that hit many families and businesse in Newark and the rest of New Jersey like a sledge hammer and made your job harder -- if not impossible -- in the face of shrinking capital and rising borrowing costs.

The economic history of the past ten years might best be described by that old adage, "The road to Hell is paved with good intentions." In effect, the spiraling inflation caused by our past excessive fiscal and monetary policies has hurt the very people those policies were intended to help the most: the poor, the handicapped, and those living on fixed incomes. The issues involved here are by no means narrowly economic. They concern fundamental principles of equity and social stability. The trouble with encouraging government growth at the expense of strengthening the private sector is that however good the intentions which underlie the governmental growth, those intentions are not achieved; that instead, the growth in government spending makes low-income people worse off, undermines social cohesion, and threatens the very foundation of a free society.

The outstanding fact is that in every country in which government growth reaches a dominating level there has been a tendency to move toward instability, toward minority government, and toward a threat to a free society. We must never forget the inextricable relationship between our economic freedom and our social and political freedom.

Our free enterprise system has accomplished much in the last 15 years, the number of people living under the poverty level has been sharply reduced to 10%. Of course that number is still far too high; it's clearly unacceptable. But paradoxically it is also one of the lowest in the world. Why? Because of the unparalleled success of our free enterprise system. The plain truth is that no other country -- no other system -- either now or ever before in history, has achieved such a broad degree of economic affluence and personal freedom for its people. And we can do even better. We <u>can</u> create new opportunities and reach that last 10%, and we <u>are</u> committed to that goal. But the essential point is, we <u>will</u> never reach that goal by destroying private enterprise, the very source of our present abundance and our hopes for a better future.

Naturally, the government has a responsibility to help those people who cannot help themselves. But while we're doing that, we must also assist permanent, private sector solutions, so that government is indeed helping to provide a lasting solution.

One of the most critical lessons of the last ten years is that there is no such thing as true compassion without responsibility. To show true compassion we must take into account not only the short-term effects of our actions, but the long-term as well. The suggestions that we simply spend and spend regardless of the value of programs are precisely those which have, over the years, hurt the poor and the disadvantaged the most. Irresponsible fiscal and monetary policies caused runaway government growth and runaway inflation. That inflation brought on the worst recession since World War II -- and the poor were the first casualties. It will be a grave injustice to the people of this nation, and especially those in need, if we continue down the same misguided path when we can clearly see from recent history that the short-term pleasure and promises of prosperity will be followed by even greater hardship and suffering.

In effect, a cruel hoax has been played upon the poorest people of this country. Year after year, and still today, we are told the only way to fight poverty is to devise new and ever more massive governmental programs. And the American people have responded with unquestionable generosity. Since 1960 this nation has spent over one trillion dollars on domestic assistance programs to support people and communities that needed help. So it is fair to ask, if the commitment was there, why was it not followed by a new prosperity? Quite simply because, instead of adhering to the principles of free enterprise, and attacking poverty at its source by creating opportunity at the local level, a great many of our massive Federal programs today do little more than create bigger and bigger government. And that just means more spending, more taxation, more regulation, more inflation and eventually more unemployment and a loss of the very opportunities that have been promised.

Fortunately, many leaders are starting to speak out against this monumental ripoff that is always so appealingly promoted in the name of compassion. Thomas Sowell, a black, who is a fellow at the Center for Advanced Study in the Behavioral Sciences at Stanford, California, and the author of Race and Economics, points out that championing the disadvantaged is not only an inspiration, but an occupation.

"To be blunt, the poor are a gold mine," he says. Mr. Sowell points out that by the time they are studied, advised, administered, and experimented with, the poor have helped many a middle-class liberal to achieve affluence with government money. The total amount of money the government spends on its "anti-poverty" efforts is three times what would be required to lift every man, woman and child in America above the official poverty line by simply sending money to the poor. But Mr. Sowell notes that a good deal of the taxpayers' money never reaches the poor. It is absorbed by the administrators, the planners, the researchers, the consultants, the staffers, in other words that entire army of bureaucrats which has managed to achieve its affluence by becoming caretakers of the poor. It is no accident that the highest income counties in the United States are in the suburbs of Washington, D.C. Poverty is the cause of much of that affluence. And this huge, non-productive army will continue to expand as long as it successfully deludes the American people into believing that the poor cannot be helped to help themselves, -- as long as government policies emphasize permanent public dependence for the poor instead of ultimate prosperity and independence through the private sector.

This philosophy of greater government control over both our economy and our lives clearly contradicts the fundamental principles that have given this country the greatest prosperity, the highest standard of living and, most importantly, the greatest freedom ever known to man.

I submit to you that this question, of whether our people -- poor and rich alike -- can be trusted to run their own lives, or whether government must run their lives for them, is the most critical issue we face in America today.

The goal of free lives, individual lives and productive lives can only be built on capital investment, not on the red ink and the printing presses of the government. If we are going to create the kind of jobs that will keep people permanently employed, that will meet the needs of a growing labor force, and that will reduce our inflation by expanding our output of goods and services, then we must equip our workers with new and efficient plants, machinery and tools. Then and only then will there be an expanding economic base to keep the cycle of earning, saving and consumer spending going.

Savings are the source of this needed capital. But savings are currently being drained by excessive government deficits. Resources soaked up by government to cover deficits created by its spending binges today cannot simultaneously be invested in expanded plants and machinery to employ more people tomorrow. We cannot have both bigger government and a healthy expanding private sector. Government doesn't create wealth -- the people do. We cannot continue to transfer each year an increasing percentage of our national wealth from the most productive sector to the least productive sector of our economy without endangering the economic future -- indeed the economic survival -- of future generations.

In short, government can only grow stronger by making private enterprise weaker. Virtually every dollar spent by the government comes from the pocket of a working American. If the government wants to spend more, then you and I will spend less. If the government wants to employ more people, then private enterprise must employ fewer people. Thus an emphasis on bureaucratic growth inevitably leads to a decline in the production of goods and services, a decline in the value of people's income, and an increase in the rate of inflation, which in turn paves the way for a new recession and even higher unemployment. There never was and is not now a choice between inflation and unemployment. That concept is a fallacy. The real choice is between making steady progress on both inflation and unemployment or of returning to the stop-and-go economic policies that have failed to provide needed stability in the past.

Why is there such an urge to legislate policies that so clearly make all people suffer -- especially the poor? Professor Milton Friedman, who was recently awarded the Nobel prize in economics, provides an explanation which he calls the "visible versus invisible" effects of government measures:

"People hired by government know who is their benefactor. People who lose their jobs, or fail to get them because of the government's programs do not know that that is the source of their problem. The good effects are visible, the bad effects are invisible. The good effects generate votes. The bad effects generate discontent which is as likely to be directed at private enterprise as at the government.

"The great political challenge is to overcome this bias, which has been taking us down the slippery slope to even bigger government and to the destruction of a free society."

Sincere compassion for the unemployed -- compassion with responsibility -- dictates that we heed economic reality, that we work for a permanent solution, and that we avoid those bureaucratic policies that only lead to a bigger poverty trap. Only free enterprise can provide such a solution. To paraphrase Sir Winston Churchill, the free enterprise system isn't perfect, but it is better than all of the others -- as you in ICBO have proven from the example of your success.

Ladies and gentlemen, we can wage a real war on poverty. And we can win that war if we start creating more jobs in the private sector, and stop creating more jobs for bureaucrats -- if we start concentrating on real economic opportunity instead of more political lip service.

The private sector produces the food we eat, the goods we use the houses and apartments we live in. It is the source of five out of every six jobs in America, and it provides directly and indirectly almost all the resources for the rest of the jobs on our all-too rapidly expanding public sector. It is the foundation for defense security for ourselves and most of the free world. It has been, and will continue to be, the difference between life and death for countless undernourished people around the globe.

It is the productive base that pays for government spending to aid the elderly, the jobless, the poor, the dependent, and the disabled. Indeed, far from being the inhuman caricature painted by so many political demagogues, the American private sector is in reality the mightiest engine for social progress and individual improvement ever created. So its obvious that the stronger we can make that engine, the more prosperous will be all of our people.

This is what government's true role is, or at any rate, that's what it should be. We have to avoid making false promises and just throwing money at problems in a way that creates inflation instead of solutions. We want to see the creation of real jobs, productive jobs, and lasting jobs -- jobs that build character, provide upward mobility, and offer a better future.

It is no accident or blind fate that has made America so rich and abundant a land. You can't legislate inventiveness or prosperity; we have no more born geniuses or natural inventors and industrialists than any other country. But we do have a freer system in a world where many other countries are not free. And, through it, we encourage the talent that lies within individuals in a way that most other societies have failed to do.

The result has been not just profits for the few, but a better and freer life for the many. Isn't that the acid test -- the bottom line -- of so much of the idealogical argument and speculation going on today? Compare the systems -- ours works. And, in large measure, it works because of people like you in this room tonight -- people who believe in the value of a way of life that is uniquely American.

My time at the Treasury will soon be over. But leaving the Treasury does not mean abandoning my deep-seated concerns and translating them into outspoken criticism whenever necessary.

I don't regret a moment of the time I have spent in Government. It's been a very rich and rewarding experience. If I have tilted at a few windmills, I think I have also helped to fight a few giants -- double digit inflation, the energy crisis and the political panic mentality that cries out for more controls and tampering with the economy instead of allowing the enormous self-correcting mechanisms of the market place to take effect.

But the more I have seen of government, the more I recognize the limits of what it can do for people -- as opposed to what it can do to them.

Government can change the law, but it cannot change human nature. Government can impede or ease the way for individual initiative. But only the individual himself can create, can change, can brave new horizons.

More than anywhere else, that is what happens here in America. It happens through organizations like this, and in schools and labs and libraries and civic groups across this great land of ours where, every day, individuals with a better idea are solving problems and creating new opportunities.

What we call the American experience -- the American story -- is the sum total of those individual contributions. And each of us is a small but important part of it. That, more than any great document or charismatic leader, is what sums up the true meaning and purpose of America. And that is what we must preserve.

Thank you.

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Department of the TREASURY
OFFICE OF REVENUE SHARING
WASHINGTON, D.C. 20226
NEWS
TELEPHONE 634-5248

FOR IMMEDIATE RELEASE
WEDNESDAY, NOVEMBER 17, 1976
CONTACT: PRISCILLA R. CRANE (202) 634-5248

FIRST ANTIRECESSION FISCAL ASSISTANCE PAYMENTS MADE TODAY

The first payments of antirecession fiscal assistance funds authorized by Title II of the Public Works Employment Act of 1976 (P.L. 94-369) are being made today to 47 State governments and 17,630 local units of general government.

The $531,735,633 being paid today represents money due eligible governments for the first two calendar quarters of the five-quarter program, the last quarterly payment of which is scheduled to be made in July 1977.

Funds for more than 3,000 prospective recipients in the States of Connecticut, Kentucky, Vermont, West Virginia, and Wisconsin are being withheld temporarily, pending approval by the Treasury Department of alternative allocation plans which the State governments of those States have submitted, as permitted by law. The prospective recipients whose payments are not being sent today pending approval of the alternative plans are units of local general government for which no specific unemployment rates are available from the U.S. Department of Labor. Approximately $8.8 million is being held for these places. Places within these States for which specific rates are available will be paid today.

Funds not yet paid to other eligible governments for the first two quarters are being held pending receipt of assurance forms required under the statute authorizing the program. Payments for those governments, and payments of places newly eligible to receive funds for the quarter beginning in January 1977, will be made, provided assurance forms have been filed with the Office of Revenue Sharing by December 13, 1976. On these forms, the Chief Executive Officer of each recipient jurisdiction must assure the Department of the Treasury that all provisions of the law will be observed as the money is spent.

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The State governments of Oklahoma and Texas are among the governments which have yet to file assurance forms with the Treasury Department's Office of Revenue Sharing. Their funds for the first and second quarters are being held, pending receipt of the forms, as described above.

It was the intent of Congress that antirecession fiscal assistance be used primarily to employ persons needed to sustain ongoing, basic services in recipient communities. The money must be appropriated or obligated within six months after the date a check is received; and it must be spent in accordance with State and local laws and procedures applicable to the expenditures of a receipient's own-source funds. Discrimination in the use of the funds on the grounds of race, religion, color, national origin or sex is prohibited; and the Office of Revenue Sharing is authorized to withhold funds where discrimination is determined to exist.

Antirecession funds are allocated according to a formula contained in the law which relates unemployment rates to each prospective recipient's Federal Fiscal Year 1976 general revenue sharing allocation. The law authorizes distribution of a total of $1.25 billion over the five-quarter period, from July 1, 1976 through September 30, 1977, provided that the seasonally-adjusted national unemployment rate for applicable quarters and the final months of those quarters remains above 6%. Rates applied to individual government recipients must be above 4.5% to qualify those places as eligible for payment. Any government which is allocated less than $100 for a quarter will receive no funds for that quarter.

The State government of Kansas is not being paid today because the State unemployment rate for the first two quarters is below the minimum required for eligibility under the new program. The State governments of Wyoming and South Dakota fall below the minimum for the second quarter and will not receive money for that period.

The total amount of money available to be distributed in the first quarter of the antirecession program is $312,500,000 (for approximately 24,000 eligible governments). In the second quarter, $250,000,000 is available to be paid to about 18,000 places. Accordingly, of the $1.25 billion authorized to be paid in five calendar quarters, more than $560 million is available for the quarters beginning July 1, 1976 and October 1, 1976.

The program will expire September 30, 1977 unless it is renewed by Congress, or unless available funds have been exhauste before the final quarter.

he Department of the TREASURY NEWS
ASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE November 18, 1976

RESULTS OF AUCTION OF 2-YEAR TREASURY NOTES

The Treasury has accepted $2,501 million of $3,786 million of tenders received from the public for the 2-year notes, Series T-1978, auctioned today.

The range of accepted competitive bids was as follows:

Lowest yield	5.76%
Highest yield	5.94%
Average yield	5.86%

The interest rate on the notes will be 5-3/4%. At the 5-3/4% rate, the above yields result in the following prices:

Low-yield price	99.981
High-yield price	99.647
Average-yield price	99.795

The $2,501 million of accepted tenders includes $ 318 million of noncompetitive tenders and $2,148 million of competitive tenders (including 24% of the amount of notes bid for at the high-yield) from private investors. It also includes $ 35 million of tenders at the average price from Federal Reserve Banks as agents for foreign and international monetary authorities in exchange for maturing securities.

In addition, $ 426 million of tenders were accepted at the average price from Government accounts and Federal Reserve Banks for their own account in exchange for securities maturing November 30, 1976, ($ 136 million) and from Federal Reserve Banks as agents for foreign and international monetary authorities for new cash ($ 290 million).

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he Department of the TREASURY NEWS
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FOR IMMEDIATE RELEASE November 19, 1976

TREASURY REPEALS DUTY-FREE EXEMPTIONS FOR MEMBERS OF CONGRESS

Under Secretary of the Treasury Jerry Thomas has signed a Treasury Department Order repealing a 68-year-old U.S. Customs rule that had granted a duty tax exemption to Members of Congress.

The rule which becomes effective December 1, 1976, repeals an exemption that has allowed Members of Congress to bring in goods from overseas without paying the customary duty tax required of all other citizens.

In signing the order, Under Secretary Thomas said: "I feel Members of Congress would agree with the repeal of the exemption. Public officials should not be singled out as a privileged group for special tax exemption."

The 1908 regulations (19 CFR 148.8) provided for duty-free entry of the baggage and effects of "high officials" of the U.S. Government returning from official missions abroad.

Thomas said that in 1963 then Secretary of the Treasury Douglas Dillon requested Executive agencies to refrain from requesting duty-free entry because it was a potential embarrassment to the government. The request was applied to the Executive Branch and did not extend to Congress.

On occasions where Members of Congress have their spouses and aides accompanying them on foreign trips spouses and aides have been entitled to this tax exemption.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE November 22, 1976

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $2,600 million of 13-week Treasury bills and for $3,600 million of 26-week Treasury bills, both series to be issued on November 26, 1976, were opened at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing February 24, 1977			26-week bills maturing May 26, 1977		
	Price	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/
High	98.862	4.552%	4.67%	97.658 a/	4.658%	4.84%
Low	98.845	4.620%	4.74%	97.640	4.694%	4.87%
Average	98.851	4.596%	4.71%	97.646	4.682%	4.86%

a/ Excepting 2 tenders totaling $825,000

Tenders at the low price for the 13-week bills were allotted 18%.
Tenders at the low price for the 26-week bills were allotted 34%.

TOTAL TENDERS RECEIVED AND ACCEPTED BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted	Received	Accepted
Boston	$ 27,735,000	$ 26,095,000	$ 25,930,000	$ 9,930,000
New York	3,870,615,000	2,193,115,000	5,539,345,000	3,295,645,000
Philadelphia	18,565,000	16,335,000	5,940,000	4,785,000
Cleveland	23,720,000	23,720,000	112,875,000	12,875,000
Richmond	18,980,000	18,980,000	8,055,000	8,055,000
Atlanta	46,535,000	46,535,000	19,610,000	19,065,000
Chicago	300,995,000	132,795,000	470,510,000	62,810,000
St. Louis	45,500,000	30,680,000	44,525,000	15,865,000
Minneapolis	27,585,000	15,285,000	36,285,000	21,285,000
Kansas City	25,450,000	20,595,000	33,075,000	32,075,000
Dallas	23,580,000	18,940,000	17,630,000	12,630,000
San Francisco	96,760,000	57,980,000	216,000,000	105,000,000
Treasury	10,000	10,000	55,000	55,000
TOTAL	$4,526,030,000	$2,601,065,000 b/	$6,529,835,000	$3,600,075,000 c/

b/ Includes $ 320,050,000 noncompetitive tenders from the public.
c/ Includes $ 143,965,000 noncompetitive tenders from the public.
1/ Equivalent coupon-issue yield.

WS-1180

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

For release at 10:00 a.m.

ADDRESS BY THE HONORABLE WILLIAM E. SIMON
SECRETARY OF THE TREASURY
BEFORE THE
WOMEN'S CRUSADE FOR A COMMON SENSE ECONOMY
LOS ANGELES, CALIFORNIA
NOVEMBER 23, 1976

It is a pleasure and an honor for me to attend this gathering. As some of you may know, my interest in the Women's Crusade goes back to its inception, and so I am particularly gratified by the enormous progress you have made -- and the even greater progress I look forward to witnessing in the years ahead.

Many different groups and spokesmen have invoked the name of the so-called "silent majority" in recent years. But, when you get right down to it, the real silent majority in our society is made up of American women -- and it's great to see such impressive evidence that you've decided to speak up and make your voices heard.

From the beginning of our history, American women have played a very special role, as foreign observers have always been quick to observe. Not all of them could cope with what they saw. Charles Dickens, who was something of a male chauvinist at heart, never could get used to the way in which American women organized educational and cultural programs on their own initiative and he has left us a very unflattering picture of them in some of his works. But a far more typical reaction was that of Alexis de Tocqueville whose Democracy in America provides perhaps the most clear, insightful view of 19th century American that any foreign writer has left behind.

Like Dickens, de Tocqueville noticed that American women played a far larger role in every level of society than their European counterparts. But, unlike Dickens, he wasn't scared off. On the contrary, he was impressed. In fact, de Tocqueville wrote that if he were asked what deserved the credit for the American people's growing strength and prosperity he would reply: "The superiority of their women."

Now that's pretty strong praise -- even coming from a Frenchman. But it is backed up by the historical record -- the long, heroic chronicle of men and women taming a savage continent together, settling, farming, engaging in commerce and creating a new way of life in which effort and opportunity replaced the rigid, class-ridden structure of old world societies. At times this has meant that Americans seemed a little brassy, a little pushing. But the result two hundred years of brass and push is a country in which more people live more freely and with more abundance than in any other country at any other time in human history.

However, neither freedom nor abundance are guaranteed to last forever. Both must be tended and cared for if they are to continue and increase. And we can't make our free enterprise system work at peak efficiency if we don't know what makes it tick in the first place.

One of the gravest problems we face is the economic illiteracy of the American people. Until more average citizens learn to look below the surface symptoms to the underlying causes of plagues like inflation and recession, political and economic snake oil salesmen will continue to drown out the voices of reason and responsibility.

Too many Americans - both men and women -- are either economically ignorant or economically naive. They simply have not learned their economic abc's -- and the result has been more than a generation of shrinking economic freedom, growing government domination of the economy, and painful doses of inflation which, in turn, led to the worse recession since World War II.

But, while most Americans don't know the facts, I am convinced that the American woman has a keener potential grasp of the situation and I am confident that, with the help of groups like yours, she can become an irresistable force for economic responsibility at the local, state, and federal levels.

James Stephens once wrote, "Women are wiser than men because they know less and understand more. Like all epigrams, Mr. Stephens' oversimplifies the case but I can assure you that, as Secretary of Treasury, I have always found it easier to discuss the basic, common sense fundamentals of economic sanity with housewives, businesswomen and women consumers than with some of the most famous -- and occasionally the most pettifogging -- of economic theorists.

No one better understands the link between our economy and the other blessings of American life than you.

You spend most of America's consumer dollars. At the supermarket, at the department store, and in dozens of other places each week, you have to see through the economic slogans to make the hard, immediate economic decisions of everyday life.

Whereas many business executives never look further than next year's profits and the corporate balance sheet, you must also focus on the long term. Politicians and businessmen may take the short view, but your eyes and hearts are always with the next generation -- and the kind of world in which your children and grandchildren will have to live.

In addition, with women now making up a massive 48% of the American work force, you pay the price every time government mismanagement of the economy tightens the job market or reduces the real value of wages.

As wives and mothers, you see everyday what inflation and recession mean to your families, and, more than anyone else, you are the ones who have to live with the results -- stretch the family budget and somehow get through another week, month or year of rising prices and shrinking dollars.

As career women, often facing many visible and hidden barriers that your male colleagues do not, you also know exactly how important effort and competitiveness are to any business concern, from the mom and pop grocery store on the corner to a multi-billion dollar conglomerate with offices around the world.

All of which is my way of saying how deeply I believe in the potential of groups like the Women's Crusade. Through you, an army of newly informed and motivated American women can be mobilized for the public good.

You can be a potent force against economic illiteracy.

You can preserve for your children the opportunities, the freedoms and the ideals that make us proud to be Americans.

But this Crusade is only the beginning. We still have a long way to go and, believe me, it isn't going to be easy. What concerns me most about the road ahead is the way in which advocates of big government and big spending are weighing down and debilitating the creative private sector that is the true source of our abundance, our opportunity and, in the last analysis, our freedom.

For, as one of the founders of the American Republic put it, "Power over a man's substance is power over his will." Those are the words of Alexander Hamilton and, almost everywhere we look in the world today, we see this truth reaffirmed anew.

We in America have been given many blessings. No country is richer or more abundant. No people have more opportunities to better themselves and seek new horizons. Nowhere else is there so much diversity of choice, of careers, of opportunity for both men and women.

But the bottom line of all these opportunities is freedom. And as another great American, Daniel Webster, solemnly reminded his countrymen, "God grants liberty to those who love it and are always ready to guard and defend it."

Now it is fairly easy to defend our liberty when it is faced with external threats. When foreign enemies threaten, the danger is clearly defined and Americans have always united in opposing it. But today we face a danger that is every bit as great as any foreign enemy, but which is far less obvious and more insidious -- an internal danger that is slowly but surely eroding our individual political and economic liberty -- the substance and the will which Alexander Hamilton referred to.

Faced with the ever-encroaching influence of government over our lives, many citizens do not take the threat seriously. They fail to realize that the time is at hand to face up to Mr. Webster's challenge now -- before it is too late.

The issues involved are not narrowly economic. They involve fundamental social and political stability. For the sad but undeniable fact is that in nearly every country where the government has assumed the dominant role in the economy, irresponsible fiscal and monetary policies have led to economic and social instability, and a tendency to political fragmentation and minority governments. It hasn't happened yet in America. It's up to groups like yours to see that it never does.

This challenge must be met -- and met now -- because we are at a crossroads in our evolution as a free society where we face an all important choice -- a choice between the freedom for each of us to live our lives as we best see fit, or the surrendering of more of that freedom to an increasingly powerful government in exchange for a false promise of security and permanent prosperity.

Freedom -- the very word should inspire us to action at a time when socialism and totalitarianism are on the march around the world. Yet, here at home, too many of us simply take it for granted. Others are not so naive. In my travels as Secretary of the Treasury I have been to every part of the globe. And everywhere I have found that America still stands as the beacon of freedom -- the bastion of liberty and hope even in those countries where freedom no longer exists. What a pity it is that so many of our own people do not understand what people thousands of miles away so clearly see. What a tragedy that we who enjoy the benefits of freedom may let it slip through our fingers from simple complacency. It has often happened before, and it could happen in America.

What the historian Gibbon said of Athens may yet be said of America. "In the end," he wrote in his epitaph for the ancient republic, "more than they wanted freedom, they wanted security. They wanted a comfortable life and they lost it all -- security, comfort and freedom. When the Athenians finally wanted not to give to society but for society to give to them, when the freedom they wished for most was freedom from responsibility, then Athens ceased to be free."

Frankly, it astonishes me that whenever the advocates of more government control and less economic freedom are confronted with the irrefutable evidence that we already have too much government, they just keep on demanding more -- and two of the casualties of their misguided logic are jobs and durable prosperity.

Free lives, individual lives, productive lives are built on capital investment, not on the red ink, the bureaucratic controls and the printing press of big government. And savings are the source of capital investment.

But savings are currently being drained by excessive government deficits. Resources absorbed by government for its spending today cannot simultaneously be invested in expanded plant and machinery to employ more people tomorrow. We cannot have both bigger government and a healthy expanding private sector. Government never creates wealth -- people do. We cannot continue to transfer each year an increasing percentage of our national wealth from the most productive to the least productive sector of our economy without endangering the economic future of your children and mine.

The private sector produces the food we eat, the goods we use, the clothes we wear, the homes we live in.

It is the source of five out of every six jobs in America, and it provides directly and indirectly, almost all the resources for the rest of the jobs in our all-too-rapidly expanding public sector.

It is the foundation for defense security for ourselves and most of the Free World.

It is the productive base that pays for government spending to aid the elderly, the jobless, the poor, the dependent and the disabled. Indeed, far from being the inhuman monster caricature painted by political demagogues, the American private sector is in reality the mightiest engine for social progress and individual improvement ever created.

This ladies and gentlemen -- but especially for those of you in the Women's Crusade -- is the crucial theme that must be communicated broadly and deeply into the national consciousness: The American production and distribution system is the very foundation of our nation's strength and freedom -- the source of present abundance and the foundation of our hopes for a better future.

As you know, Nineteen-Seventy six is our bicentennial year as a nation, but 1976 also marks another bicentennial -- the 200th anniversary of Adam Smith's Inquiry into the Nature and Causes of the Wealth of Nations. This publication was and remains the finest book ever written on modern economic freedom and it deserves a more prominent part in contemporary economic education.

Many people mistakenly believe that Adam Smith was nothing more than an inhumane apologist for robber baron capitalism. Actually, he was precisely the opposite, a profound moral philosopher and a champion of individual human dignity and freedom -- exactly the same broad goals for which the Women's Crusade stands.

Smith advocated a commercial system of what he termed "natural liberty," free of arbitrary preferences or restraints. "Every man," Smith wrote, (I suppose today he would have said "every person," but you know what he meant) " as long as he does not violate the laws of justice should be left perfectly free to pursue his own interest in his own way and to bring both his industry and capital into competition with those of any other man, or order of men." Above all, Smith realized that there is no political short-cut to affluence. It can only come from the creative efforts of individual human beings.

To me, this wisdom represents the essence of one of the most important educational lessons of our nation's history -- but too many of our young people are simply not being taught it. You can help get it across to them -- and to the legislators whose economic decisions are shaping their future today.

Competition of ideas, like competition of products, is a healthy thing. I welcome it. But, as responsible citizens we have an obligation to see that no one economic philosophy enjoys an academic or political monopoly of the public dialogue. Yet all too often socialist doctrine has become the new economic orthodoxy. It's time for a change, and you can help bring economic fairness, balance and sanity back to the halls of government and academe by making your voices heard.

This great but sometimes confused nation of ours was born in turmoil. Conflict and doubt are nothing new to us. They didn't stop us 200 years ago and they shouldn't stop us now. It is no accident or blind fate that has made America so rich and abundant a land. You can't legislate inventiveness or prosperity; we have no more born geniuses or natural inventors and industrialists than any other country. But we do have a free system in a world where many other countries are not free. And, through it, we encourage the talent that lies within individuals in a way that most other societies have failed to do.

The result has been not just profits for the few, but a better and freer life for the many. Isn't that the acid test of so much of the idealogical argument and speculation going on today? Compare the systems -- ours works. And, in large measure, it works because of people like you -- American women who believe in effort, responsibility and efficiency in both your personal and professional lives.

My time at the Treasury will soon be over. But leaving the Treasury does not mean abandoning my deep-seated concerns and translating them into outspoken criticism whenever necessary.

Don't get me wrong. I don't regret a moment of the time I have spent in Government. It's been a very rich and rewarding experience. If I have tilted at a few windmills, I think I have also helped to fight a few giants -- double digit inflation, the energy crisis and the political panic mentality that cries out for more controls and tampering with the economy instead of allowing the enormous self-correcting mechanisms of the market place to take effect.

But the more I have seen of government, the more I recognize the limits of what it can do <u>for</u> people -- as opposed to what it can do <u>to</u> them.

Government can change the law, but it cannot change human nature. Government can impede or ease the way for individual initiative. But only individual men and women can create, can change, can brave new horizons.

More than anywhere else, that is what happens here in America. Our greatest progress has always come through individuals -- not through voter blocs or special interest groups. It happens through voluntary organizations like the Women's Crusade, in company offices, in homes, in schools and labs and libraries and civic groups across this great land of ours where, every day, men and women with a better idea are solving problems and creating new opportunities.

As Leone Whitaker said in a recent article on the Crusade, your views and findings can make a tremendous difference. The same Senator, Congressman or Administration official who may not pay much heed to the lone voice of a former Treasury Secretary will have to sit up and take notice when you go to him with the "force and power of a million women" behind you.

The election is over -- although for a while there it seemed like it would last forever. A number of important faces have changed in Washington but the important issues remain the same -- and you can be sure that all of the organized special interests, be they business, labor, ethnic or partisan, will soon be demanding their pound of flesh from the incoming Administration and Congress.

You can help to guarantee that, in the midst of all these narrow interests, the public interest is not drowned out.

You can help guarantee that the freedom, the abundance and the opportunity that most Americans take for granted today will be preserved for all future Americans. And whenever I can be of help to you as a concerned, individual citizen, you can count on my support.

For what we call the American experience -- the American story -- is the sum total of individual contributions. Each of us is a small but important part of it. And that, more than any great document of charismatic leader, is what sums up the true meaning and purpose of America. With the courage of your convictions and the determination to make your voices heard, that is what you can help to preserve for your children and your children's children.

Thank you.

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he Department of the TREASURY NEWS
SHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE AT 4:00 P.M. November 23, 1976

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $6,000 million, or thereabouts, to be issued December 2, 1976, as follows:

91-day bills (to maturity date) in the amount of $2,500 million, or thereabouts, representing an additional amount of bills dated September 2, 1976, and to mature March 3, 1977 (CUSIP No. 912793 E8 5), originally issued in the amount of $3,602 million, the additional and original bills to be freely interchangeable.

182-day bills, for $3,500 million, or thereabouts, to be dated December 2, 1976, and to mature June 2, 1977 (CUSIP No. 912793 G5 9).

The bills will be issued for cash and in exchange for Treasury bills maturing December 2, 1976, outstanding in the amount of $6,005 million, of which Government accounts and Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold $2,553 million. These accounts may exchange bills they hold for the bills now being offered at the average prices of accepted tenders.

The bills will be issued on a discount basis under competitive and non-competitive bidding, and at maturity their face amount will be payable without interest. They will be issued in bearer form in denominations of $10,000, $15,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value), and in book-entry form to designated bidders.

Tenders will be received at Federal Reserve Banks and Branches and from individuals at the Bureau of the Public Debt, Washington, D. C. 20226, up to 1:30 p.m., Eastern Standard time, Monday, November 29, 1976.
Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. 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.

Banking institutions and dealers who make primary markets in Government

securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others 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 bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. 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 $500,000 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 or Branch or at the Bureau of the Public Debt on December 2, 1976, in cash or other immediately available funds or in a like face amount of Treasury bills maturing December 2, 1976. 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.

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 considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of bills (other than life insurance companies) issued hereunder must include in his Federal income tax return, as ordinary gain or loss, the difference between the price paid for the 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.

Department of the Treasury 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, or from the Bureau of the Public Debt.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE AT 12:00 NOON November 23, 1976

TREASURY TO AUCTION $2,500 MILLION OF 4-YEAR 1-MONTH NOTES

The Department of the Treasury will auction $2,500 million of 4-year 1-month notes to raise new cash. Additional amounts of the notes may be issued to Federal Reserve Banks as agents of foreign and international monetary authorities at the average price of accepted tenders.

Details about the new security are given in the attached highlights of the offering and in the official offering circular.

Attachment

WS-1183

HIGHLIGHTS OF TREASURY OFFERING TO THE PUBLIC OF 4-YEAR 1-MONTH NOTES TO BE ISSUED DECEMBER 7, 1976

November 23, 1976

Amount Offered:	
To the public	$2,500 million
Description of Security:	
Term and type of security	4-year 1-month notes
Series and CUSIP designation	Series F-1980 (CUSIP No. 912827 GF 3)
Maturity date	December 31, 1980
Call date	No provision
Interest coupon rate	To be determined based on the average of accepted bids
Investment yield	To be determined at auction
Premium or discount	To be determined after auction
Interest payment dates	June 30 and December 31 (first payment on June 30, 1977)
Minimum denomination available	$1,000
Terms of Sale:	
Method of sale	Yield Auction
Accrued interest payable by investor	None
Preferred allotment	Noncompetitive bid for $1,000,000 or less
Deposit requirement	5% of face amount
Deposit guarantee by designated institutions	Acceptable
Key Dates:	
Deadline for receipt of tenders	Tuesday, November 30, 1976, by 1:30 p.m., EST
Settlement date (final payment due)	
a) cash or Federal funds	Tuesday, December 7, 1976
b) check drawn on bank within FRB district where submitted	Friday, December 3, 1976
c) check drawn on bank outside FRB district where submitted	Thursday, December 2, 1976
Delivery date for coupon securities.	Monday, December 13, 1976

the Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

CONTACT: John Webster
202-566-5985

FOR IMMEDIATE RELEASE November 24, 1976

TREASURY DEPARTMENT ESTABLISHES ADVISORY COMMITTEE ON PRIVATE PHILANTHROPY AND PUBLIC NEEDS

Secretary of the Treasury William E. Simon has established an Advisory Committee on Private Philanthropy and Public Needs to assist the Department in formulating tax and regulatory policy affecting philanthropic and voluntary organizations.

The Treasury Department estimates that the value of private giving in terms of money and labor exceeds $50 billion a year. Despite the magnitude of this activity, there is a lack of information upon which policies can be devised.

The advisory committee, comprised of a cross-section of philanthropic interests, will guide the Secretary in determining the types of information to be collected and analyzed.

Questions or suggestions for committee membership should be made by December 10, 1976, to John Webster, Special Assistant to the Secretary for Consumer Affairs, Room 1454 Main Treasury Building, 15 and Pennsylvania Avenue, Washington, D.C. 20220 (202-566-5487).

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WS-1184

CONVENTION BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES WITH RESPECT TO TAXES ON INCOME

The Government of the United States of America and the Government of the Republic of the Philippines, desiring to conclude a convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, have agreed as follows:

Article 1

TAXES COVERED

(1) The taxes which are the subject of this Convention are:

(a) In the case of the United States, the Federal income taxes imposed by the Internal Revenue Code (but not including the tax on improperly accumulated earnings or the personal holding company tax), and

(b) In the case of the Philippines, the income tax imposed by Title II of the National Internal Revenue Code (but not including the tax on improperly accumulated earnings or the personal holding company tax).

(2) This Convention shall also apply to taxes substantially similar to those covered by paragraph (1) which are imposed in addition to, or in place of, existing taxes after the date of signature of this Convention.

(3) The competent authorities of the Contracting States shall notify each other of any amendments of the tax laws referred to in paragraph (1) or (2) and of the adoption of any taxes referred to in paragraph (2) by transmitting the texts of any amendments or new statutes at least once a year.

(4) The competent authorities of the Contracting States shall notify each other of the publication by their respective Contracting States of any material concerning the application of this Convention, whether in the form of regulations, rulings, or judicial decisions by transmitting the texts of any such material at least once a year.

Article 2

GENERAL DEFINITIONS

(1) In this Convention, unless the context otherwise requires:

(a) (i) The term "United States" means the United States of America; and

(ii) When used in a geographical sense, the term "United States" means the states thereof and the District of Columbia.

(b) (i) The term "Philippines" means the Republic of the Philippines; and

(ii) When used in a geographical sense, the term "Philippines" means the territory comprising the Republic of the Philippines.

(c) The term "Contracting State" means the United States or the Philippines, as the context requires.

(d) The term "person" includes an individual, a partnership, a corporation, an estate, or a trust.

(e) (i) The term "United States corporation" means a corporation (or any unincorporated entity treated as a corporation for United States tax purposes) which is created or organized in or under the laws of the United States or any state thereof or the District of Columbia; and

(ii) The term "Philippine corporation" means a corporation (or any unincorporated entity treated as a corporation for Philippine tax purposes) which is created or organized in the Philippines or under its laws.

(f) The term "competent authority" means:

(i) In the case of the United States, the Secretary of the Treasury or his delegate, and

(ii) In the case of the Philippines, the Secretary of Finance or his delegate.

(g) The term "tax" means tax imposed by the United States or the Philippines, whichever is applicable, to which this Convention applies by virtue of Article 1 (Taxes Covered).

(h) The term "international traffic" means any transport by a ship or aircraft operated by a resident of one of the Contracting States except where such transport is confined solely to places within a Contracting State.

(2) Any other term used in this Convention and not defined in this Convention shall, unless the context otherwise requires, have the meaning which it has under the laws of the Contracting State whose tax is being determined. Notwithstanding the preceding sentence, if the meaning of such a term under the laws of one of the Contracting

States is different from the meaning of the term under the laws of the other Contracting State, or if the meaning of such a term is not readily determinable under the laws of one of the Contracting States, the competent authorities of the Contracting States may, in order to prevent double taxation or to further any other purpose of this Convention, establish a common meaning of the term for the purposes of this Convention.

Article 3

FISCAL RESIDENCE

(1) In this Convention:

(a) The term "resident of the Philippines" means:

(i) A Philippine corporation, and

(ii) Any other person (except a corporation or any entity treated as a corporation for Philippine tax purposes) resident in the Philippines for purposes of Philippine tax, but in the case of a professional partnership, estate, or trust only to the extent that the income derived by such partnership, estate, or trust is subject to Philippine tax as the income of a resident either in the hands of the respective entity or of its partners or beneficiaries.

(b) The term "resident of the United States" means:

(i) A United States corporation, and

(ii) Any other person (except a corporation or any entity treated as a corporation for United States tax purposes) resident in the United States for purposes of United States tax, but in the case of a partnership, estate, or trust only to the extent that the income derived by such partnership, estate, or trust is subject to United States tax as the income of a resident either in the hands of the respective entity or of its partners or beneficiaries.

(2) Where by reason of the provisions of paragraph (1) an individual is a resident of both Contracting States:

(a) He shall be deemed to be a resident of that Contracting State in which he maintains his permanent home. If he has a permanent home in both Contracting States or in neither of the Contracting States, he shall be deemed to be a resident of that Contracting State with which his personal and economic relations are closest (center of vital interests);

(b) If the Contracting State in which he has his center of vital interests cannot be determined, he shall be deemed to be a resident of that Contracting State in which he has a habitual abode;

(c) If he has a habitual abode in both Contracting States or in neither of the Contracting States, he shall be deemed to be a resident of the Contracting State of which he is a citizen; and

(d) If he is a citizen of both Contracting States or of neither Contracting State, the competent authorities of the Contracting States shall settle the question by mutual agreement.

Article 4

SOURCE OF INCOME

For purposes of this Convention:

(1) Dividends shall be treated as income from sources within a Contracting State only if--

(a) Paid by a corporation of that Contracting State, or

(b) Paid by a corporation of any State if, for the 3-year period ending with the close of such corporation's taxable year preceding the declaration of the dividends (or for such part of that period as such corporation has been in existence), at least 50 percent of such corporation's gross income from all sources was business profits attributable to a permanent establishment which such corporation had in that Contracting State; but only in an amount which bears the same ratio to such dividends as the amount of the business profits attributable to that permanent establishment bears to the corporation's gross income from all sources.

If a dividend would be treated under this paragraph as income from sources within both Contracting States, it shall be deemed to be income from sources only within the Contracting State described in subparagraph (b), to the extent provided therein.

(2) Interest shall be treated as income from sources within a Contracting State only if paid by such Contracting State, a political

subdivision or local authority thereof, or by a resident of that Contracting State. Notwithstanding the preceding sentence, if such interest is paid on an indebtedness incurred in connection with a permanent establishment which bears such interest, then such interest shall be deemed to be from sources within the State (whether or not a Contracting State) in which the permanent establishment is situated.

(3) Royalties for the use of, or the right to use, property or rights shall be treated as income from sources within a Contracting State only to the extent that such royalties are for the use of, or the right to use, such property or rights within that Contracting State. Notwithstanding the preceding sentence, if such royalty is paid with respect to a liability to pay the royalty that was incurred in connection with a permanent establishment which bears such royalty, then such royalty shall be deemed to be from sources within the State (whether or not a Contracting State) in which the permanent establishment is situated.

(4) Income from real property (including royalties) described in Article 7 (Income from Real Property) shall be treated as income from sources within a Contracting State only if such property is situated in that Contracting State.

(5) Income received by an individual for his performance of labor or personal services, whether as an employee or in an independent capacity, shall be treated as income from sources within a Contracting State only to the extent that such services are performed in that Contracting State. However, income from personal services performed aboard ships or aircraft operated by a resident of one of the Contracting States in international traffic shall be treated as income from sources within that Contracting State if rendered by a member of the regular complement of the ship or aircraft. Notwithstanding the preceding provisions of this paragraph, remuneration described in Article 20 (Governmental Functions) and payments described in Article 19 (Social Security Payments) paid from the public funds of a Contracting State or a political subdivision or local authority thereof shall be treated as income from sources within that Contracting State only.

(6) Notwithstanding paragraphs (1) through (4), business profits which are attributable to a permanent establishment which the recipient, a resident of one of the Contracting States, has in the other Contracting State shall be treated as income from sources within that other Contracting State.

(7) Gross revenues from the operation of ships in international traffic shall be treated as from sources within a

Contracting State to the extent they are derived from outgoing traffic originating in that State.

(8) The source of any item of income to which paragraphs (1) through (7) are not applicable shall be determined by each of the Contracting States in accordance with its own law. Notwithstanding the preceding sentence, if the source of any item of income under the laws of one Contracting State is different from the source of such item of income under the laws of the other Contracting State or if the source of such income is not readily determinable under the laws of one of the Contracting States, the competent authorities of the Contracting States may, in order to prevent double taxation or further any other purpose of this Convention, establish a common source of the item of income for purposes of this Convention.

Article 5

PERMANENT ESTABLISHMENT

(1) For the purposes of this Convention, the term "permanent establishment" means a fixed place of business through which a resident of one of the Contracting States engages in a trade or business.

(2) The term "fixed place of business" includes but is not limited to:

(a) A seat of management;

(b) A branch;

(c) An office;

(d) A store or other sales outlet;

(e) A factory;

(f) A workshop;

(g) A warehouse;

(h) A mine, quarry, or other place of extraction of natural resources;

(i) A building site or construction or assembly project or supervisory activities in connection therewith, provided such site, project or activity continues for a period of more than 183 days; and

(j) The furnishing of services, including consultancy services, by a resident of one of the Contracting States through employees or other personnel, provided activities of that nature continue (for the same or a connected project) within the other Contracting State for a period or periods aggregating more than 183 days.

(3) Notwithstanding paragraphs (1), (2), and (4), a permanent establishment shall be deemed not to include any one or more of the following:

(a) The use of facilities solely for the purpose of storage, display, or occasional delivery of goods or merchandise belonging to the resident;

(b) The maintenance of a stock of goods or merchandise belonging to the resident solely for the purpose of storage, display, or occasional delivery;

(c) The maintenance of a stock of goods or merchandise belonging to the resident solely for the purpose of processing by another person;

(d) The maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or for collecting information, for the resident;

(e) The maintenance of a fixed place of business solely for the purpose of advertising, for the supply of information, for scientific research, or for similar activities which have a preparatory or auxiliary character, for the resident; or

(f) The furnishing of services, including the provision of equipment, in one of the Contracting States by a resident of the other Contracting State, including consultancy firms, in accordance with, or in the implementation of, an agreement between the Contracting States regarding technical cooperation.

(4) A person acting in one of the Contracting States on behalf of a resident of the other Contracting State, other than an agent of an independent status to whom paragraph (5) applies, shall be deemed to give rise to a permanent establishment in the first-mentioned Contracting State if--

(a) Such person has, and habitually exercises in the first-mentioned Contracting State, an authority to conclude contracts in the name of that resident, unless the exercise of such authority is limited to the purchase of goods or merchandise for that resident; or

(b) He has no such authority, but habitually maintains in the first-mentioned State a stock of goods or merchandise from which he regularly delivers goods and merchandise on behalf of the resident.

(5) A resident of one of the Contracting States shall not be deemed to have a permanent establishment in the other Contracting State merely because such resident carries on business in that other Contracting State through a broker, general commission agent, or any other agent of an independent status, where such broker or agent is acting in the

ordinary course of his business. However, when the activities of such an agent are devoted wholly or almost wholly on behalf of that resident, he shall not be considered an agent of independent status within the meaning of this paragraph if the transactions between the agent and the resident were not made under arm's length conditions.

(6) Except with respect to reinsurance, a resident of a Contracting State shall be deemed to have a permanent establishment in the other Contracting State if it collects premiums in that other State, or insures risks situated therein, through an employee or representative situated therein who is not an agent of independent status to whom paragraph (5) applies.

(7) A resident of one of the Contracting States shall not be deemed to have a permanent establishment in the other Contracting State merely because such resident sells at the termination of a trade fair or convention in such other Contracting State goods or merchandise which such resident displayed at such trade fair or convention.

(8) The fact that a corporation of one of the Contracting States controls or is controlled by or is under common control with--

(a) A corporation of the other Contracting State or

(b) A corporation which carries on business in that other Contracting State (whether through a permanent establishment or otherwise) shall not be taken into account in determining whether the activities or fixed place of business of either corporation constitutes a permanent establishment of the other corporation.

(9) The principles set forth in paragraphs (1) through (8) shall be applied in determining for purposes of this Convention whether there is a permanent establishment in a State other than one of the Contracting States or whether a person other than a resident of one of the Contracting States has a permanent establishment in one of the Contracting States.

Article 6

GENERAL RULES OF TAXATION

(1) A resident of one of the Contracting States may be taxed by the other Contracting State on any income from sources within that other Contracting State and only on such income, subject to any limitations set forth in this Convention. For this purpose, the rules set forth in Article 4 (Source of Income) shall be applied to determine the source of income.

(2) The provisions of this Convention shall not be construed to restrict in any manner any exclusion, exemption, deduction, credit, or other allowance now or hereafter accorded--

(a) By the laws of one of the Contracting States in the determination of the tax imposed by that Contracting State, or

(b) By any other agreement between the Contracting States.

(3) Notwithstanding any provisions of this Convention except paragraph (4), a Contracting State may tax its residents (as determined under Article 3 (Fiscal Residence)) and its citizens as if this Convention had not come into effect.

(4) The provisions of paragraph (3) shall not affect:

(a) The benefits conferred by a Contracting State under Articles 19 (Social Security Payments), 23 (Relief from Double Taxation), 24 (Nondiscrimination), and 25 (Mutual Agreement Procedure); and

(b) The benefits conferred by a Contracting State under Articles 20 (Governmental Functions), 21 (Teachers), 22 (Students and Trainees), and 28 (Diplomatic and Consular Officers) upon individuals who are neither citizens of, nor have immigrant status in, that Contracting State.

(5) The competent authorities of the two Contracting States may each prescribe regulations necessary to carry out the provisions of this Convention.

Article 7

INCOME FROM REAL PROPERTY

(1) Income from real property, including royalties and other payments in respect of the exploitation of natural resources and gains derived from the alienation of such property or of the right giving rise to such royalties or other payments, may be taxed by the Contracting State in which such real property or natural resources are situated. For purposes of this Convention, interest on indebtedness secured by real property or secured by a right giving rise to royalties or other payments in respect of the exploitation of natural resources shall not be regarded as income from real property.

(2) Paragraph (1) shall apply to income derived from the usufruct, direct use, letting, or use in any other form of real property.

Article 8

BUSINESS PROFITS

(1) Business profits of a resident of one of the Contracting States shall be taxable only in that State unless the resident has a permanent establishment in the other Contracting State. If the resident has a permanent establishment in that other Contracting State, tax may be imposed by that other Contracting State on the business profits of the resident but only on so much of them as are attributable to the permanent establishment.

(2) Where a resident of one of the Contracting States has a permanent establishment in the other Contracting State, there shall in each Contracting State be attributed to the permanent establishment the business profits which would reasonably be expected to have been derived by it if it were an independent entity engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the resident of which it is a permanent establishment.

(3) There may also be attributed to that permanent establishment the business profits derived from the sale of goods or merchandise of the same or similar kind as those sold, or from other business activities of the same or similar kind as those effected, through that permanent establishment if the sale or activities had been resorted to in order to avoid taxation.

(4) In the determination of the business profits of a permanent establishment, there shall be allowed as deductions ordinary and necessary expenses which are reasonably allocable to such profits, including executive and general administrative expenses, whether incurred in the Contracting State in which the permanent establishment is situated or elsewhere. However, no such deductions shall be allowed in respect of amounts paid or payable (other than reimbursement of actual expenses) by the permanent establishment to the head office of the resident of which it is a permanent establishment or any of its other offices, by way of--

(a) Royalties, fees or other similar payments in return for the use of patents or other rights;

(b) Commission, for specific services performed or for management; and

(c) Interest on moneys lent to the permanent establishment, except in the case of a banking institution.

(5) No profits shall be attributed to a permanent establishment of a resident of one of the Contracting States in the other Contracting State merely by reason of the purchase of goods or merchandise by that permanent establishment for the account of the resident.

(6) The term "business profits" means income derived from any trade or business whether carried on by an individual, corporation or any other person, or group of persons, including the rental of tangible personal (movable) property.

(7) Where business profits include items of income which are dealt with separately in other articles of this Convention, then the provisions of those articles shall not be affected by the provisions of this article.

Article 9

SHIPPING AND AIR TRANSPORT

(1) Notwithstanding any other provision of this Convention, profits derived by a resident of one of the Contracting States from sources within the other Contracting State from the operation of ships in international traffic may be taxed by both Contracting States; however, the tax imposed by the other Contracting State may be as much as, but shall not exceed, the lesser of--

(a) One and one-half percent of the gross revenues derived from sources in that State; and

(b) The lowest rate of Philippine tax that may be imposed on profits of the same kind derived under similar circumstances by a resident of a third State.

(2) Nothing in the Convention shall affect the right of a Contracting State to tax, in accordance with domestic laws, profits derived by a resident of the other Contracting State from sources within the first-mentioned Contracting State from the operation of aircraft in international traffic.

(3) The provisions of paragraphs (1) and (2) shall also apply to profits derived from the participation in a pool, a joint business or in an international operating agency.

Article 10

RELATED PERSONS

(1) Where a person subject to the taxing jurisdiction of one of the Contracting States and any other person are related and where such related persons make arrangements or impose conditions between themselves which are different from those which would be made between independent persons, any income, deductions, credits, or allowances which would, but for those arrangements or conditions, have been taken into account in computing the income (or loss) of, or the tax payable by, one of such persons may be taken into account in computing the amount of the income subject to tax and the taxes payable by such person.

(2) Where a redetermination has been made by one Contracting State to the income of one of its residents in accordance with paragraph (1), then the other Contracting State shall, if it agrees with such redetermination and if necessary to prevent double taxation, make a corresponding adjustment to the income of a person in such other Contracting State related to such resident. In the event the other Contracting State disagrees with such redetermination, the two Contracting States shall endeavor to reach agreement in accordance with the mutual agreement procedure in paragraph (2) of Article 25 (Mutual Agreement Procedure).

(3) For purposes of this Convention, a person is related to another person if either person owns or controls directly or indirectly the other, or if any third person or persons own or control directly or indirectly both. For this purpose, the term "control" includes any kind of control, whether or not legally enforceable, and however exercised or exercisable.

Article 11

DIVIDENDS

(1) Dividends derived from sources within one of the Contracting States by a resident of the other Contracting State may be taxed by both Contracting States.

(2) The rate of tax imposed by one of the Contracting States on dividends derived from sources within that Contracting State by a resident of the other Contracting State shall not exceed--

(a) 25 percent of the gross amount of the dividend; or

(b) When the recipient is a corporation, 20 percent of the gross amount of the dividend if during the part of the paying corporation's taxable year which precedes the date of payment of the dividend and during the whole of its prior taxable year (if any), at least 10 percent of the outstanding shares of the voting stock of the paying corporation was owned by the recipient corporation.

(3) Dividends paid by a corporation of one of the Contracting States to a person other than a citizen or resident of the other Contracting State may be taxed by the other Contracting State, but only if--

(a) Such dividends are treated as income from sources within that other Contracting State and, in the case of the Philippines, the additional tax described in paragraph (6) has not been paid with respect to the earnings distributed, or

(b) The recipient of the dividends has a permanent establishment or fixed base in the other Contracting State and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base.

(4) Paragraph (2) shall not apply if the recipient of dividends derived from sources within one of the Contracting States, being a resident of the other Contracting State, carries on business in the first-mentioned Contracting State through a permanent establishment situated therein or performs in that other State independent personal services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such a case, the provisions of Article 8 (Business Profits) or Article 15 (Independent Personal Services), as the case may be, shall apply.

(5) The term "dividends" as used in this Convention means income from shares, mining shares, founders' shares or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights assimilated to income from shares by the taxation law of the State of which the corporation making the distribution is a resident.

(6) Nothing in this Convention (except Article 9 (Shipping and Air Transport)) shall be construed as preventing the Philippines from imposing on the earnings of a corporation (other than a Philippine corporation) attributable to a permanent establishment in the

Philippines, a tax in addition to the tax which would be chargeable on the earnings of a Philippine corporation, provided that any additional tax so imposed shall not exceed 20 percent of the amount of such earnings which have not been subjected to such additional tax in previous taxable years. For the purpose of this provision, the term "earnings" means business profits attributable to a permanent establishment in the Philippines in a year and previous years after deducting therefrom all taxes, other than the additional tax referred to herein, imposed on such profits by the Philippines.

Article 12

INTEREST

(1) Interest derived by a resident of one of the Contracting States from sources within the other Contracting State may be taxed by both Contracting States.

(2) Interest derived by a resident of one of the Contracting States from sources within the other Contracting State shall not be taxed by the other Contracting State at a rate in excess of 15 percent of the gross amount of such interest.

(3) Interest derived by a resident of one of the Contracting States from sources within the other Contracting State with respect to public issues of bonded indebtedness shall not be taxed by the other Contracting State at a rate in excess of 10 percent of the gross amount of such interest.

(4) Notwithstanding paragraphs (1), (2), and (3), interest derived by--

(a) One of the Contracting States, or an instrumentality thereof (including the Central Bank of the Philippines, the Federal Reserve Banks of the United States, the Export-Import Bank of the United States, the Overseas Private Investment Corporation of the United States, and such other institutions of either Contracting State as the competent authorities of both Contracting States may determine by mutual agreement), or

(b) A resident of one of the Contracting States with respect to debt obligations guaranteed or insured by that Contracting State or an instrumentality thereof,

shall be exempt from tax by the other Contracting State.

(5) Paragraphs (2), (3), and (4) shall not apply if the recipient of interest from sources within one of the Contracting States, being a resident of the other Contracting State, carries on business in the first-mentioned Contracting State through a permanent establishment situated therein or performs in that other State independent personal services from a fixed base situated therein and the debt claim in respect of which the interest is paid is effectively connected with such permanent establishment or fixed base. In such a case, the provisions of Article 8 (Business Profits) or Article 15 (Independent Personal Services), as the case may be, shall apply.

(6) Where an amount is paid to a related person and would be treated as interest but for the fact that it exceeds an amount which would have been paid to an unrelated person, the provisions of this article shall apply only to so much of the amount as would have been paid to an unrelated person. In such a case, the excess amount may be taxed by each Contracting State according to its own law, including the provisions of this Convention where applicable.

(7) The term "interest" as used in this Convention means income from debt-claims of every kind, whether or not secured by mortgage,

and whether or not carrying a right to participate in the debtor's profits, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures, as well as income assimilated to income from money lent by the taxation law of the Contracting State in which the income arises, including interest on deferred payment sales.

Article 13

ROYALTIES

(1) Royalties derived by a resident of one of the Contracting States from sources within the other Contracting State may be taxed by both Contracting States.

(2) However, the tax imposed by that other Contracting State shall not exceed--

(a) In the case of the United States, 15 percent of the gross amount of the royalties, and

(b) In the case of the Philippines, the least of:

(i) 25 percent of the gross amount of the royalties,

(ii) 15 percent of the gross amount of the royalties, where the royalties are paid by a corporation registered with the Philippine Board of Investments and engaged in preferred areas of activities, and

(iii) The lowest rate of Philippine tax that may be imposed on royalties of the same kind paid under similar circumstances to a resident of a third State.

(3) The term "royalties" as used in this article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work, including cinematographic films or films or tapes used for radio or television broadcasting, any patent, trade mark, design or model, plan, secret

formula or process, or other like right or property, or for information concerning industrial, commercial or scientific experience. The term "royalties" also includes gains derived from the sale, exchange or other disposition of any such right or property which are contingent on the productivity, use, or disposition thereof.

(4) The provisions of paragraphs (1) and (2) shall not apply if the recipient of the royalties, being a resident of a Contracting State, carries on business in the other Contracting State in which the royalties arise, through a permanent establishment situated therein, or performs in that other State professional services from a fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base. In such a case, the provisions of Article 8 (Business Profits) or Article 15 (Independent Personal Services), as the case may be, shall apply.

(5) Where an amount is paid to a related person and would be treated as a royalty but for the fact that it exceeds an amount which would have been paid to an unrelated person, the provisions of this article shall apply only to so much of the amount as would have been paid to an unrelated person. In such a case, the excess amount may be taxed by each Contracting State according to its own law, including the provisions of this Convention where applicable.

Article 14

CAPITAL GAINS

(1) Gains from the alienation of tangible personal (movable) property forming part of the business property of a permanent establishment which a resident of a Contracting State has in the other Contracting State or of tangible personal (movable) property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, including such gains from the alienation of such a permanent establishment (alone or together with the whole enterprise) or of such a fixed base, may be taxed in the other State. However, gains derived by a resident of a Contracting State from the alienation of ships, aircraft or containers operated by such resident in international traffic shall be taxable only in that State, and gains described in Article 13 (Royalties) shall be taxable only in accordance with the provisions of Article 13.

(2) Gains from the alienation of any property other than those mentioned in paragraph (1) or in Article 7 (Income From Real Property) shall be taxable only in the Contracting State of which the alienator is a resident.

Article 15

INDEPENDENT PERSONAL SERVICES

(1) Income derived by an individual who is a resident of one of the Contracting States from the performance of personal services in an independent capacity may be taxed by that Contracting State. Except as provided in paragraph (2), such income shall be exempt from tax by the other Contracting State.

(2) Income derived by an individual who is a resident of one of the Contracting States from the performance of personal services in an independent capacity in the other Contracting State may be taxed by that other Contracting State, if:

(a) He has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities; in that case, only so much of the income as is attributable to that fixed base may be taxed in that other Contracting State;

(b) He is present in that other Contracting State for a period or periods aggregating 90 days or more in the taxable year; or

(c) The gross remuneration derived in the taxable year from residents of that other Contracting State for the performance of such services in the other Contracting State exceeds 10,000 United States dollars or its equivalent in Philippine pesos or such higher amount as may be specified and agreed in letters exchanged between the competent authorities of the Contracting States.

(3) The term "income" as used in paragraph (2) means net income.

Article 16

DEPENDENT PERSONAL SERVICES

(1) Except as provided in Article 20 (Governmental Functions), wages, salaries, and similar remuneration derived by an individual who is a resident of one of the Contracting States from labor or personal services performed as an employee, including income from services performed by an officer of a corporation, may be taxed by that Contracting State. Except as provided by paragraphs (2) and (3) and in Articles 20 (Governmental Functions), 21 (Teachers), and 22 (Students and Trainees), such remuneration derived from sources within the other Contracting State may also be taxed by that other Contracting State.

(2) Remuneration described in paragraph (1) derived by an individual who is a resident of one of the Contracting States shall be exempt from tax by the other Contracting State if--

(a) He is present in that other Contracting State for a period or periods aggregating less than 90 days in the taxable year;

(b) He is an employee of a resident of, or of a permanent establishment maintained in, the first-mentioned Contracting State; and

(c) The remuneration is not borne as such by a permanent establishment which the employer has in that other Contracting State.

(3) Notwithstanding the preceding provisions of this article, remuneration derived by an employee of a resident of one of the Contracting States for labor or personal services performed as a member of the regular complement of a ship or aircraft operated in international traffic by a resident of that Contracting State may be taxed only by that Contracting State.

Article 17

ARTISTES AND ATHLETES

(1) Notwithstanding the provisions of Articles 15 (Independent Personal Services) and 16 (Dependent Personal Services), income derived by public entertainers such as theater, motion picture, radio or television artistes, and musicians, and by athletes, from their personal activities as such may be taxed in the Contracting State in which these activities are exercised provided that--

(a) Such income exceeds 100 United States dollars or its equivalent in Philippine pesos per day, or

(b) Such income exceeds in the aggregate 3,000 United States dollars or its equivalent in Philippine pesos during the taxable year.

(2) Where income in respect of personal activities as such of a public entertainer or athlete accrues not to that entertainer or athlete himself but to another person, that income may, notwithstanding the provisions of Articles 8 (Business Profits), 15 (Independent Personal Services) and 16 (Dependent Personal Services), be taxed in the Contracting State in which the activities of the entertainer or athlete are exercised.

(3) Notwithstanding the provisions of paragraph (1) and Articles 15 (Independent Personal Services) and 16 (Dependent Personal Services), income derived from activities performed in a Contracting State by public

entertainers or athletes shall be exempt from tax in that Contracting State if the visit to that State is substantially supported or sponsored by the other Contracting State and the public entertainer or athlete is certified as qualified under this provision by the competent authority of the sending State.

Article 18

PRIVATE PENSIONS AND ANNUITIES

(1) Except as provided in Article 20 (Governmental Functions), pensions and other similar remuneration paid to an individual in consideration of past employment shall be taxable by the Contracting State where the service is rendered.

(2) Annuities paid to an individual who is a resident of one of the Contracting States shall be taxable only in that Contracting State.

(3) Child support payments made by an individual who is a resident of one of the Contracting States to an individual who is a resident of the other Contracting State shall be exempt from tax in that other Contracting State.

(4) The term "pensions and other similar remuneration", as used in this article, includes periodic payments other than social security payments covered in Article 19 (Social Security Payments) made--

(a) By reason of retirement or death and in consideration for services rendered or

(b) By way of compensation for injuries or sickness received in connection with past employment.

(5) The term "annuities", as used in this article, means a stated sum paid periodically at stated times during life, or during a specified number of years, under an obligation to make the payments

in return for adequate and full consideration (other than services rendered).

(6) The term "child support payments", as used in this article, means periodic payments for the support of a minor child made pursuant to a written separation agreement or a decree of divorce, separate maintenance, or compulsory support.

Article 19

SOCIAL SECURITY PAYMENTS

Social security payments and other public pensions paid by one of the Contracting States to an individual who is a resident of the other Contracting State (or in the case of such payments by the Philippines to an individual who is a citizen of the United States) shall be taxable only in the first-mentioned Contracting State. This article shall not apply to payments described in Article 20 (Governmental Functions).

Article 20

GOVERNMENTAL FUNCTIONS

Wages, salaries and similar remuneration, including pensions, annuities, or similar benefits, paid from public funds of one of the Contracting States:

(a) To a citizen of that Contracting State, or

(b) To a citizen of a State other than a Contracting State who comes to the other Contracting State expressly for the purpose of being employed by the first-mentioned Contracting State

for labor or personal services performed as an employee of the national Government of that Contracting State, or any agency thereof, in the discharge of functions of a governmental nature shall be exempt from tax by the other Contracting State.

Article 21

TEACHERS

(1) Where a resident of one of the Contracting States is invited by the Government of the other Contracting State, a political subdivision or local authority thereof, or by a university or other recognized educational institution in that other Contracting State to come to that other Contracting State for a period not expected to exceed 2 years for the purpose of teaching or engaging in research, or both, at a university or other recognized educational institution and such resident comes to that other Contracting State primarily for such purpose, his income from personal services for teaching or research at such university or educational institution shall be exempt from tax by that other Contracting State for a period not exceeding 2 years from the date of his arrival in that other Contracting State.

(2) This article shall not apply to income from research if such research is undertaken not in the general interest but primarily for the private benefit of a specific person or persons.

Article 22

STUDENTS AND TRAINEES

(1) (a) An individual who is a resident of one of the Contracting States at the time he becomes temporarily present in the other Contracting State and who is temporarily present in that other Contracting State for the primary purpose of--

(i) Studying at a university or other recognized educational institution in that other Contracting State, or

(ii) Securing training required to qualify him to practice a profession or professional specialty, or

(iii) Studying or doing research as a recipient of a grant, allowance, or award from a governmental, religious, charitable, scientific, literary, or educational organization,

shall be exempt from tax by that other Contracting State with respect to amounts described in subparagraph (b) for a period not exceeding 5 taxable years from the date of his arrival in that other Contracting State.

(b) The amounts referred to in subparagraph (a) are--

(i) Gifts from abroad for the purpose of his maintenance, education, study, research, or training;

(ii) The grant, allowance, or award; and

(iii) Income from personal services performed in that other Contracting State in an amount not in excess of

3,000 United States dollars or its equivalent in Philippine pesos for any taxable year.

(2) An individual who is a resident of one of the Contracting States at the time he becomes temporarily present in the other Contracting State and who is temporarily present in that other Contracting State as an employee of, or under contract with, a resident of the first-mentioned Contracting State, for the primary purpose of--

(a) Acquiring technical, professional, or business experience from a person other than that resident of the first-mentioned Contracting State or other than a person related to such resident, or

(b) Studying at a university or other recognized educational institution in that other Contracting State,

shall be exempt from tax by that other Contracting State for a period not exceeding 12 consecutive months with respect to his income from personal services in an aggregate amount not in excess of 7,500 United States dollars or its equivalent in Philippine pesos for any taxable year.

(3) An individual who is a resident of one of the Contracting States at the time he becomes temporarily present in the other Contracting State and who is temporarily present in that other Contracting State for a period not exceeding 1 year, as a participant in a program sponsored by the Government of that other Contracting State, for the primary purpose of training, research, or study, shall be exempt from tax by that other Contracting State with respect to his income from personal

services in respect of such training, research, or study performed in that other Contracting State in an aggregate amount not in excess of 10,000 United States dollars or its equivalent in Philippine pesos in any taxable year.

(4) The benefits provided under Article 21 (Teachers) and paragraph (1) of this article shall, when taken together, extend only for such period of time, not to exceed 5 taxable years from the date of arrival of the individual claiming such benefits, as may reasonably or customarily be required to effectuate the purpose of the visit. The benefits provided under Article 21 (Teachers) shall not be available to an individual if, during the immediately preceding period, such individual enjoyed the benefits of paragraph (1) of this article.

Article 23

RELIEF FROM DOUBLE TAXATION

Double taxation of income shall be avoided in the following manner:

(1) In accordance with the provisions and subject to the limitations of the law of the United States (as it may be amended from time to time without changing the general principle hereof), the United States shall allow to a citizen or resident of the United States as a credit against the United States tax the appropriate amount of taxes paid or accrued to the Philippines and, in the case of a United States corporation owning at least 10 percent of the voting stock of a Philippine corporation from which it receives dividends in any taxable year, shall allow credit for the appropriate amount of taxes paid or accrued to the Philippines by the Philippine corporation paying such dividends with respect to the profits out of which such dividends are paid. Such appropriate amount shall be based upon the amount of tax paid or accrued to the Philippines, but the credit shall not exceed the limitations (for the purpose of limiting the credit to the United States tax on income from sources within the Philippines or on income from sources outside the United States) provided by United States law for the taxable year. For the purpose of applying the United States credit in relation to taxes paid or accrued to the Philippines, the rules set forth in Article 4 (Source of Income) shall be applied to determine the source of income. For purposes of applying the United States credit in relation to taxes paid or accrued to the Philippines, the taxes referred to in paragraphs (1)(b) and (2) of Article 1 (Taxes Covered) shall be considered to be income taxes.

(2) In accordance with the provisions and subject to the limitations of the law of the Philippines (as it may be amended from time to time without changing the general principle hereof), the Philippines shall allow to a citizen or resident of the Philippines as a credit against the Philippine tax the appropriate amount of taxes paid or accrued to the United States and, in the case of a Philippine corporation owning more than 50 percent of the voting stock of a United States corporation from which it receives dividends in any taxable year, shall allow credit for the appropriate amount of taxes paid or accrued to the United States by the United States corporation paying such dividends with respect to the profits out of which such dividends are paid. Such appropriate amount shall be based upon the amount of tax paid or accrued to the United States, but the credit shall not exceed the limitations (for the purpose of limiting the credit to the Philippine tax on income from sources within the United States, and on income from sources outside the Philippines) provided by Philippine law for the taxable year. For the purpose of applying the Philippine credit in relation to taxes paid or accrued to the United States, the rules set forth in Article 4 (Source of Income) shall be applied to determine the source of income. For purposes of applying the Philippine credit in relation to taxes paid or accrued to the United States, the taxes referred to in paragraphs (1) (a) and (2) of Article 1 (Taxes Covered) shall be considered to be income taxes.

Article 24

NONDISCRIMINATION

(1) A citizen of one of the Contracting States who is a resident of the other Contracting State shall not be subject in that other Contracting State to more burdensome taxes than a citizen of that other Contracting State who is a resident thereof.

(2) A permanent establishment which a resident of one of the Contracting States has in the other Contracting State shall not be subject in that other Contracting State to more burdensome taxes than a resident of that other Contracting State carrying on the same activities. This paragraph shall not be construed as obliging a Contracting State to grant to individual residents of the other Contracting State any personal allowances, reliefs, or deductions for taxation purposes on account of civil status or family responsibilities which it grants to its own individual residents.

(3) A corporation of one of the Contracting States, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned Contracting State to any taxation or any requirement connected with taxation which is other or more burdensome than the taxation and requirements to which a corporation of the first-mentioned Contracting State carrying on the same activities, the capital of which is wholly owned or controlled by one or more residents of the first-mentioned Contracting State, is or may be subjected.

(4) Notwithstanding any other provision of this Convention, the term "taxes" or "taxation" means, for the purpose of this article, taxes or taxation of every kind imposed at the national, state, or local level.

(5) With respect to the taxes referred to in Article 1 (Taxes Covered), nothing in this article shall prevent the Philippines from limiting to its citizens or corporations the enjoyment of tax incentives granted under the following enactments:

(a) Section 6 of the Investment Incentives Act (Republic Act No. 5186),

(b) Section 5 and Section 7(b) of the Export Incentives Act (Republic Act No. 6135), and

(c) Section 9 of the Investment Incentives Program for the Tourism Industry (Presidential Decree No. 535)

so far as they were in force on, and have not been modified since, the date of signature of this Convention, or have been modified only in minor respects so as not to affect their general character.

(6) With respect to taxes other than the taxes referred to in Article 1 (Taxes Covered), nothing in this article shall prevent the Philippines or a political subdivision or local authority thereof from limiting to Philippine citizens or corporations the enjoyment of tax incentives for the promotion of industry or business similar to those described in subparagraphs (a), (b), and (c) of paragraph (5) so far as they

were in force on, and have not been modified since, the date of signature of this Convention, or have been modified only in minor respects so as not to affect their general character.

Article 25

MUTUAL AGREEMENT PROCEDURE

(1) Where a resident or citizen of one of the Contracting States considers that the action of one or both of the Contracting States results or will result for him in taxation not in accordance with this Convention, he may, notwithstanding the remedies provided by the national laws of the Contracting States, present his case to the competent authority of the Contracting State of which he is a resident or citizen. Should the resident's or citizen's claim be considered to have merit by the competent authority of the Contracting State to which the claim is made, it shall endeavor to come to an agreement with the competent authority of the other Contracting State with a view to the avoidance of taxation not in accordance with the provisions of this Convention.

(2) The competent authorities of the Contracting States shall endeavor to resolve by mutual agreement any difficulties or doubts arising as to the application of this Convention. In particular, the competent authorities of the Contracting States may agree--

(a) To the same attribution of industrial or commercial profits to a resident of one of the Contracting States and its permanent establishment situated in the other Contracting State;

(b) To the same allocation of income, deductions, credits, or allowances between a resident of one of the Contracting States and any related person and to the readjustment of taxes imposed by each Contracting State to reflect such allocation;

(c) To the same determination of the source of particular items of income; or

(d) To the same characterization of particular items of income.

(3) The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of this article. When it seems advisable for the purpose of reaching agreement, the competent authorities may meet together for an oral exchange of opinions.

(4) In the event that the competent authorities reach such an agreement, taxes shall be imposed on such income in accordance with such agreement, and--

(a) In the case of the United States, refund or credit of taxes shall be allowed in accordance with such agreement, notwithstanding any procedural rule (including statutes of limitations) applicable under United States law.

(b) In the case of the Philippines, refund or credit of taxes shall be allowed in accordance with such agreement, subject to any procedural rule (including statutes of limitations) applicable under Philippine law. However, notwithstanding any such Philippine procedural rule, a tax credit certificate shall be issued if a claim is filed with the competent authority of the Philippines no later than 2 years from the close of the taxable year in which the United States tax imposed under this paragraph is paid and such claim is filed within 5 taxable years from the close of the taxable year in issue. A tax credit certificate shall be issued with respect to a claim filed after the aforementioned 5-year period only if the claim is supported by the books and records of the taxpayer. The amount of the tax credit certificate shall be computed in the same manner as an actual refund (whether or not an actual refund of tax can be made), but may only be used as a credit against Philippine tax liability without giving rise to a refund.

Article 26

EXCHANGE OF INFORMATION

(1) The competent authorities shall exchange such information as is necessary for carrying out the provisions of this Convention or for the prevention of fraud or for the administration of statutory provisions concerning taxes to which this Convention applies provided the information is of a class that can be obtained under the laws and administrative practices of each Contracting State with respect to its own taxes.

(2) Any information so exchanged shall be treated as secret, except that such information may be--

(a) Disclosed to any person concerned with, or

(b) Made part of a public record with respect to,

the assessment, collection, or enforcement of, or litigation with respect to, the taxes to which this Convention applies.

(3) No information shall be exchanged which would be contrary to public policy.

(4) If information is requested by a Contracting State in accordance with this article, the other Contracting State shall obtain the information to which the request relates from or with respect to its residents or corporations in the same manner and to the same extent as if the tax of the requesting State were the tax of the other State and were being imposed by that other State. A Contracting State may obtain information from or with respect to its residents or corporations

in accordance with this paragraph for the sole purpose of assisting the other Contracting State in the determination of the taxes of that other State.

(5) If specifically requested by the competent authority of a Contracting State, the competent authority of the other Contracting State shall provide information under this article in the form of depositions of witnesses and copies of unedited original documents (including books, papers, statements, records, accounts, or writings) to the same extent such depositions and documents can be obtained under the laws and administrative practices of each Contracting State with respect to its own taxes.

(6) The exchange of information shall be either on a routine basis or on request with reference to particular cases. The competent authorities of the Contracting States may agree on the list of information which shall be furnished on a routine basis.

Article 27

ASSISTANCE IN COLLECTION

(1) Each of the Contracting States shall endeavor to collect on behalf of the other Contracting State such taxes imposed by that other Contracting State as will ensure that any exemption or reduced rate of tax granted under this Convention by that other Contracting State shall not be enjoyed by persons not entitled to such benefits.

(2) In no case shall this article be construed so as to impose upon a Contracting State the obligations to carry out measures at variance with the laws or administrative practices of either Contracting State with respect to the collection of its own taxes.

Article 28

DIPLOMATIC AND CONSULAR OFFICERS

Nothing in this Convention shall affect the fiscal privileges of diplomatic and consular officials under the general rules of international law or under the provisions of special agreements.

Article 29

ENTRY INTO FORCE

(1) This Convention shall be subject to ratification in accordance with the constitutional procedures of each Contracting State and instruments of ratification shall be exchanged at Washington as soon as possible. It shall enter into force 30 days after the date of exchange of instruments of ratification and shall then have effect for the first time:

(a) As respects the rate of withholding tax, to amounts paid on or after the first day of January immediately following the year in which this Convention enters into force;

(b) As respects other taxes, to taxable years beginning on or after January 1 of the year following the date on which this Convention enters into force.

(2) However, in the case of payments received as a consideration for the use of, or the right to use, a copyright of cinematographic films or films or tapes used for radio or television broadcasting, paragraph (2)(b)(iii) of Article 13 (Royalties) shall not have effect before January 1, 1979.

Article 30

TERMINATION

This Convention shall remain in force until terminated by one of the Contracting States. Either Contracting State may terminate the Convention at any time after 5 years from the date on which this Convention enters into force provided that at least 6 months' prior notice of termination has been given through diplomatic channels. In such event, the Convention shall cease to have force and effect as respects income of calendar years or taxable years beginning (or, in the case of taxes payable at the source, payments made) on or after January 1 next following the expiration of the 6-month period.

Done at Manila in duplicate this first day of October, 1976.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:

/s/ William E. Simon

FOR THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES:

/s/ Cesar Virata

November 24, 1976

Excellency:

I have the honor to refer to the recent discussions between representatives of our two Governments concerning the Convention between the Government of the United States of America and the Government of the Republic of the Philippines with Respect to Taxes on Income, signed at Manila on October 1, 1976.

It is our understanding that Philippine citizens residing outside of the Philippines are subject to Philippine tax on their worldwide income but at reduced rates of 1, 2, or 3 percent, and that foreign income taxes paid are deductible in computing their taxable income. We further understand that the Government of the Philippines, when applying paragraph 2 of Article 23 (Relief from Double Taxation) to such nonresident citizens, interprets the reference to "in accordance with the provisions of the law of the Philippines..." to allow the Government of the Philippines to continue to grant a deduction rather than a credit for U. S. taxes paid in such cases. We accept this interpretation subject to confirmation by your Government that, should the present rates of Philippine income tax applicable to nonresident citizens of the Philippines be increased, the Government of the Philippines understands that the treaty would require a foreign tax credit and agrees to consult with the Government of the United States for the purpose of modifying this note to that effect.

I have the honor to propose to you that the present note and your Excellency's reply thereto indicating acceptance constitute the agreement of our two Governments on these various points.

Accept, Excellency, the renewed assurances of my highest consideration.

FOR THE UNITED STATES GOVERNMENT:

/s/ William E. Simon

His Excellency
The Honorable
Cesar Virata
Secretary of Finance

November 24, 1976

Excellency:

I have the honor to acknowledge receipt of your note of November 24, 1976, which reads as follows:

"Excellency:

I have the honor to refer to the recent discussions between representatives of our two Governments concerning the Convention between the Government of the United States of America and the Government of the Republic of the Philippines with Respect to Taxes on Income, signed at Manila on October 1, 1976.

It is our understanding that Philippine citizens residing outside of the Philippines are subject to Philippine tax on their world-wide income but at reduced rates of 1, 2, or 3 percent, and that foreign income taxes paid are deductible in computing their taxable income. We further understand that the Government of the Philippines, when applying paragraph 2 of Article 23 (Relief from Double Taxation) to such nonresident citizens, interprets the reference to 'in accordance with the provisions of the law of the Philippines...' to allow the Government of the Philippines to continue to grant a deduction rather than a credit for U.S. taxes paid in such cases. We accept this interpretation subject to confirmation by your Government that, should the present rates of Philippine income tax applicable to nonresident citizens of the Philippines be increased, the Government of the Philippines understands that the treaty would require a foreign tax credit and agrees to consult with the Government of the United States for the purpose of modifying this note to that effect.

I have the honor to propose to you that the present note and your Excellency's reply thereto indicating acceptance constitute the agreement of our two Governments on these various points.

Accept, Excellency, the renewed assurances of my highest consideration."

I have the honor to inform your Excellency that the foregoing is acceptable and reflects correctly the understanding of the Government of the Republic of the Philippines and that your Excellency's note and this note in reply constitute an agreement between our two Governments concerning the Convention between the Government of the Republic of the Philippines and the Government of the United States of America with respect to Taxes on Income signed at Manila on October 1, 1976.

Accept, Excellency, the renewed assurances of my highest consideration.

FOR THE GOVERNMENT OF THE PHILIPPINES:

His Excellency /s/ Cesar Virata
The Honorable
William E. Simon
Secretary of the Treasury

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE November 24, 1976

Secretary Simon to Attend U.S./U.S.S.R.
Trade and Economic Council Meeting

Treasury Secretary William E. Simon will leave Friday, November 26 to attend the annual meeting of the U.S./U.S.S.R. Trade and Economic Council in Moscow. Secretary Simon will address the Council on Tuesday, November 30. He will also meet with top Soviet officials during the course of his visit.

Secretary Simon and Soviet Minister of Foreign Trade Nikolai Patolichev, who will also address the group, are honorary directors of the Council. The Council was formed in 1973 to foster the expansion of mutually beneficial trade and economic cooperation.

On route to the Soviet Union, Secretary Simon will stop in London for informal discussions.

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WS-1186

11/24/76
1120 hrs.
Tail #86971

MANIFEST

United Kingdom, U.S.S.R. and Mexico
Visit By
Secretary William E. Simon

Name	DOB	POB	PP#
William E. Simon	11/27/27	NJ	X083688
Carol G. Simon	02/21/31	NJ	X082307
Sharon Baker	02/16/51	DC	Y1407666
Emerson Davis, Jr.	12/18/36	DC	Y902363
Harold F. Eberle	05/14/25	CA	Y1301510
•Jane Eberle	07/14/44	NC	F2130199
Gail Friedman	06/16/49	NY	Y1270743
John C. Gartland	02/03/40	OH	Y1261909
Barbara Jensen	08/16/34	NY	Y1123496
Sidney L. Jones	09/23/33	UT	Y1167630
•Marlene Jones	10/24/32	UT	E1826845
Patricia Kobinski	08/09/54	NY	Y1213423
Eric Lapp	06/02/48	Germany	Y1407508
Richard McCoy	06/07/22	NY	Y1023713
John O. Mongoven	10/25/38	IL	Y1279183
William N. Morell	07/13/20	MD	Y1198746
•Patricia Morell	12/11/23	NJ	E1889759
Ann Marie Morgan	06/25/44	SC	G2418275
Gerald L. Parsky	10/18/42	CT	X084078
Kenneth Pieper	08/16/43	NY	Y1396759
Tania Ponomarenko	12/19/51	NY	Y1172288

[redacted]

Name	DOB	POB	PP#
Roger Porter	06/19/46	UT	Y1253173
Marjory E. Searing	03/29/45	NY	Y1261863
L. William Seidman	04/29/21	MI	X091818
Sarah Seidman	01/04/24	IL	X1257360
Sanford Shapiro	06/02/36	PA	X1223345
William E. Simon, Jr.	06/20/51	NJ	F2093046
Peter Simon	05/20/53	NJ	B043628
J. Robert Vastine	11/12/37	PA	Y1374080
Richard A. Zarzana	04/29/39	CA	X050363
James D. Gamm	09/17/50	MI	X072578
Wayland Harmon	02/24/22	NC	X074169
Dennis V. McCarthy	09/28/34	MD	X032525
Brian F. Kelly	10/31/41	NJ	X066419
James J. Varey	08/17/42	MA	X068686
Delma K. Keene	04/18/48	FL	X067772
Eddie E. Thompson	04/18/41	LA	X067773
Charles E. Converse	10/12/44	NC	X069544
Dennis L. Finch	03/01/45	OH	X061114
Francis A. Searle	09/29/41	MA	X067134
Ramon L. Dunlap	01/16/33	WV	X038932
Thomas A. Trombly	08/27/37	MI	X043521
Brooks T. Keller	08/07/33	MD	X084317

the Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

Contact: J.C. Davenport
Extension 2951
November 26, 1976

FOR IMMEDIATE RELEASE

ANTIDUMPING INVESTIGATION INITIATED ON SACCHARIN FROM JAPAN AND THE REPUBLIC OF KOREA

Under Secretary of the Treasury Jerry Thomas announced today the initiation of an antidumping investigation on imports of saccharin from Japan and the Republic of Korea.

Notice of this action will be published in the Federal Register of November 29, 1976.

Mr. Thomas' announcement followed a summary investigation conducted by the U.S. Customs Service after the receipt of a petition alleging that dumping was occurring in the United States. The information received tends to indicate that the prices of the subject merchandise exported to the U.S. from Japan and the Republic of Korea are less than the prices of such or similar merchandise sold in the home market.

For purposes of the notice published in the Federal Register the term saccharin means sodium saccharin in soluble powder and soluble granular form.

Imports of the saccharin from Japan and the Republic of Korea amounted to $2.4 million and $435,000, respectively, during the first six months of 1976.

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WS-1187

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE November 29, 1976

TREASURY OFFERS $2,000 MILLION OF 132-DAY BILLS

The Department of the Treasury, by this public notice, invites tenders for $2,000,000,000, or thereabouts, of 132-day Treasury bills, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be issued on December 10, 1976, and will be an additional issue of bills dated October 21, 1976, due April 21, 1977 (CUSIP No. 912793 F7 6) when the face amount will be payable without interest. They will be issued in bearer form in denominations of $10,000, $15,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value), and in book-entry form to designated bidders.

Tenders will be received at Federal Reserve Banks and Branches and from individuals at the Bureau of the Public Debt, Washington, D. C. 20226, up to 1:30 p.m., Eastern Standard time, Tuesday, December 7, 1976. Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. 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.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others 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 bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. 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 $500,000 or less without stated price

WS-1188

(OVER)

from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank or Branch or at the Bureau of the Public Debt in cash or other immediately available funds on December 10, 1976.

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 considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of bills (other than life insurance companies) issued hereunder must include in his Federal income tax return, as ordinary gain or loss, the difference between the price paid for the 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.

Department of the Treasury 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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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE November 29, 1976

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $2,500 million of 13-week Treasury bills and for $3,500 million of 26-week Treasury bills, both series to be issued on December 2, 1976, were opened at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing March 3, 1977			26-week bills maturing June 2, 1977		
	Price	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/
High	98.875	4.451%	4.56%	97.699	4.551%	4.72%
Low	98.871	4.466%	4.58%	97.687	4.575%	4.75%
Average	98.871	4.466%	4.58%	97.691	4.567%	4.74%

Tenders at the low price for the 13-week bills were allotted 91%.
Tenders at the low price for the 26-week bills were allotted 45%.

TOTAL TENDERS RECEIVED AND ACCEPTED
BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted	Received	Accepted
Boston	$ 31,740,000	$ 18,155,000	$ 58,900,000	$ 20,900,000
New York	4,277,300,000	1,982,655,000	5,373,405,000	3,231,855,000
Philadelphia	17,950,000	17,350,000	27,100,000	7,100,000
Cleveland	31,945,000	26,095,000	59,400,000	7,400,000
Richmond	37,840,000	15,440,000	21,515,000	7,620,000
Atlanta	27,860,000	25,560,000	21,525,000	18,725,000
Chicago	261,010,000	47,750,000	330,825,000	63,325,000
St. Louis	52,915,000	23,915,000	43,025,000	13,695,000
Minneapolis	37,190,000	6,190,000	46,405,000	11,205,000
Kansas City	41,655,000	31,200,000	13,735,000	12,935,000
Dallas	45,140,000	15,140,000	32,315,000	18,215,000
San Francisco	635,725,000	296,880,000	377,535,000	91,820,000
Treasury	210,000	210,000	- - -	- - -
TOTALS	$5,498,480,000	$2,506,540,000 a/	$6,405,685,000	$3,504,795,000 b/

a/Includes $322,995,000 noncompetitive tenders from the public.
b/Includes $124,555,000 noncompetitive tenders from the public.
1/Equivalent coupon-issue yield.

WS-1189

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

CONTACT: GEORGE G. ROSS
202-566-5985

FOR IMMEDIATE RELEASE November 29, 1976

FRANCE-UNITED STATES TAX DISCUSSIONS

Talks between representatives of the French Ministry of Finance and the United States Treasury Department were held in Paris last week concerning the taxation of Americans resident in France.

The two delegations agreed that, even if Article 164-1 of the French tax code is repealed, the July 28, 1967, tax treaty between the two countries should allay the concern of Americans resident in France about double taxation of their income.

The tax situation of Americans resident in France will be governed by the following principles:

Income from personal services performed outside the United States by an employee or self-employed individual is considered foreign source income for United States tax purposes. In the case of a partner, income from such services is considered foreign source income primarily to the extent that his payment for such services is guaranteed by the partnership. Accordingly, Americans generally will be able to credit the French tax on personal services income against American tax. The French delegation clarified that, in the case of employees, contributions by the employer to retirement plans "qualified" under the United States Internal Revenue Code do not constitute taxable income for French tax purposes.

Moreover, taxes imposed by the states and localities of the United States on business and personal services income will be deductible in France.

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Until the treaty is amended to provide a more lasting solution, France will permit Americans to credit against French tax on dividends, interest and royalties from United States sources, the effective amount of United States tax on those items of income.

A note will be published shortly setting forth in greater detail the rules applicable under French and American law to Americans domiciled in France.

The two delegations have agreed to pursue negotiations with a view to making appropriate amendments to the present convention.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE November 30, 1976

STATEMENT BY THE HONORABLE WILLIAM E. SIMON
SECRETARY OF THE TREASURY
AT ANNUAL MEETING OF THE U.S.-U.S.S.R.
TRADE AND ECONOMIC COUNCIL
MOSCOW, U.S.S.R.

It is a great personal pleasure for me to have the opportunity to return to this great country and to meet with this group again. The United States continues to regard this Trade and Economic Council, and the trade which it encourages, as a vital building block in the bridge we are constructing between our two nations. We believe that economic cooperation and peace are interrelated. Strengthening and increasing economic cooperation will assist our efforts to secure a lasting peace. The American commitment to this process remains firm.

Since our meeting in Washington in October of last year, much has happened in the world. The world economy has been recovering from the worst recession in forty years. Internal differences emerged within the United States over relations between our countries. And the American people have decided to change its leadership.

As we now complete the process of "transition" in the United States, we must not lose the progress that has been made in U.S.-U.S.S.R. relations since the last United States Government "transition" in 1968. Neither country can afford a return to the confrontation of the past. Peaceful cooperation is the only course for the future.

The next Administration will be dealing with the same currents of opinion that we did, and the need to command public support is an important determinant of our actions after elections as well as before.

Much discussion took place during our election campaign about the concept of detente. Detente is an all encompassing concept that improves and strengthens the relations between our two countries. However, detente is a process that develops over time. It has a variety of dimensions. As General Secretary Brezhnev and our leadership have developed this new spirit, it has moved forward on a diverse set of fronts -- political relationships, military concerns, scientific developments, trade and economic cooperation, and many others. Each of these parts is related and we must strive to have them move in a manner that is self-reinforcing.

From my perspective, I would argue that if we want to make progress on the larger issues such as SALT, we must be careful not to let peripheral matters get out of hand and harm the political atmosphere. We must be careful not to pursue transient political advantage to the point where the entire structure of our relations is challenged.

The point I want to make is that to me detente must be pursued because it is in the overriding best interest of the world. Overwhelming support for the concept exists; we must work together to eliminate any skepticism about how it has been working in practice.

I am confident that progress can and will come. Our governments and peoples have a vested interest in it, and we cannot afford to squander the progress we have made over the past several years. But the process of detente remains fragile and must be carefully tended at the highest political level on both sides. If it is in fact to become "irreversible" it cannot be seen as a short-term tactic, but rather a growing commitment on both sides. Great expectations have been created among our peoples, and it is the responsibility of the political and economic leadership of both our countries to see to it that these expectations are not disappointed. While recognizing the differences between our political and social systems, we must work at a broader definition of detente, one which promotes increased understanding and concern for the complex of issues -- security, economic and humanitarian -- that form the interface of our relationship.

Stronger economic ties are a critical element of detente. Business can make a significant contribution to world peace, and this Council is an essential ingredient in the process. During the past two years, there have been a number of economic and political events which, admittedly, have slowed the pace of U.S.-Soviet economic cooperation. However, despite the negative impact of these events, the basic structure of our joint economic relationship has remained strong. The Council's activities have helped to provide a continuous pattern of interchange and dialogue that must continue in spite of larger economic and political events. Seen in this way, the Council and what it represents can make a major contribution to peace and understanding.

I salute the dedicated people on both sides who have carried forward the day-to-day work of the Council, and I congratulate the Council's leadership, which has been so important for its success in building the stronger economic ties we all seek. Economic and political relationships are inevitably intertwined, and an improving economic relationship can only develop in the context of a stable political environment. But closer economic ties can also help create an environment for progress on political issues.

We are already making progress in the important area of strengthening the economic and commercial bonds between our two countries. This is demonstrated by trade flows.

Total two way trade between our countries attained a record level of over $2 billion in 1975, far above the the previous high of $1.4 billion in 1973. For the first 9 months of 1976, the total was over $2 billion, an all-time high for any 9-month period which promises another record year in 1976.

A large part of U.S. exports has consisted of agricultural commodities. These totaled over $1.1 billion in 1975 and over $1.2 billion in the first 9 months of 1976. But aside from these extraordinarily large shipments of food, our trade showed large and rapidly growing exports of manufactured goods, totaling over $670 million in 1975 and about $600 million in the first 9 months of 1976.

In addition to a record level of U.S.-Soviet trade, other events of the past year have contributed to closer economic ties between our two countries. The conclusion of the U.S.-U.S.S.R. Grain Trade Agreement in October 1975, together with the new Maritime Agreement signed in December 1975, are significant achievements which can make important contributions to the orderly development of trade between our countries. The Grain Trade Agreement will help avoid massive fluctuations in grain sales from year to year, which have in the past had a disruptive influence. The Maritime Agreement provides a framework for shipments of grain, and also facilitates calls by Soviet ships at U.S. ports. It can offer a balance of benefits to both sides.

Our two governments have also been holding talks on civil aviation over the past year and we hope that agreement providing for expanded air services with equitable and shared benefits can be concluded in time for next summer's tourist season.

An extremely important aspect of our economic relationship is the development of joint U.S.-Soviet major projects. We can all take satisfaction from the increasing number of projects successfully underway or under negotiation involving cooperation between American and Soviet organizations. The United States Government encourages and welcomes such cooperation, while recognizing, of course, that the decision to participate rests entirely with the parties directly concerned.

Additional evidence of increased business activity is the growing number of American enterprises with offices here in Moscow. Approximately two dozen firms are now represented here; others are awaiting approval of their applications. With the help of the Soviet authorities, the facilities for doing business have improved. Naturally, there will be impediments raised in our path, but I expect that discussions here will define the problems and develop solutions.

This is exactly where the Council can play a most constructive role. I look to you, as leaders of organizations directly concerned with trade and industrial projects, for recommendations as to what government can do to remove existing impediments to improve conditions and to facilitate your efforts. Within the United States Government, the East-West Foreign Trade Board, of which I am Chairman, acts as a coordinating body for the various agencies concerned with East-West economic contacts. The business community should bring its concerns and suggestions directly to this Board.

While we can cite many examples of progress, I would be less than frank if I didn't state that important problems still remain in the field of Soviet-American trade. Provisions of the Trade Act of 1974 still hinder the development of this trade, blocking the financing of American exports by agencies of the United States Government, and preventing most-favored-nation treatment of imports from the Soviet Union.

President Ford and other members of his Administration made clear our opposition to these provisions at the time the trade legislation was under consideration in the Congress. After the legislation was passed, President Ford publicly and emphatically stated his belief that remedial legislation was urgently needed.

Section 402 and related provisions of the Trade Act, and the 1974 Eximbank Act Amendments have adversely affected our trade with the Soviet Union, and I am convinced that they serve neither the political nor the humanitarian interest of the United States. While U.S.-Soviet trade statistics continue to show growth, this growth seems mainly to reflect shipments which are being made on back orders and contracts signed in past years. There is evidence which suggests that present back orders are substantially less than a year ago and that, therefore, the trade increase in 1976 may be difficult to sustain without a determined effort on both sides.

The fundamental solution must be a legislative one. If we are to build a stronger bridge of U.S.-Soviet trade that will foster mutual benefits, the new Administration must work with the new Congress in the months ahead to pass remedial legislation that will remove existing impediments. I believe that progress can be made, but it is also important to understand that progress on the humanitarian issues is of concern to the American people, and the way in which this concern is met will affect any legislative changes. Until legislative change can be obtained, I call on both sides to exercise the will and imagination to sustain the pace of project development and trade expansion that has characterized the past several years.

At the same time we must encourage another change in U.S. law that would improve U.S.-Soviet commercial relations. The Johnson Debt Default Act of 1934 provides criminal penalties for any individual who, within the U.S., purchases or sells bonds or any other financial obligations of any foreign government which is in default in the payment of its obligations to the United States. Instead of protecting American investors against the purchase of obligations of countries likely to default, the Act has had the effect of deterring creative methods of financing by the private market. The repeal of the Act would, in my opinion, remove an unnecessary barrier to the expansion of commerce on commercial terms.

As we work together for the elimination of barriers to the development of U.S.-Soviet trade relations in U.S. law, let us also work to remove existing obstacles to access for U.S. supplies and businessmen to the Soviet market, so that our trade will continue to be mutually beneficial. The U.S. supplier will often be better able to meet Soviet needs if more information on major projects were provided. Improved negotiating procedures, better working conditions, and an increase in the number of accredited offices in Moscow would also help in facilitating the expansion of U.S.-Soviet commercial relations. A number of American firms are presently seeking accreditation to establish offices in Moscow. These offices are very important to the American firms as well as Soviet organizations, especially those undertaking major projects. While we realize that permanent housing and office space is at this time limited, we strongly hope that pending applications will be approved as soon as possible. These matters as well as others are problems which we will overcome as we work together to consolidate and strengthen our mutual economic ties.

To emphasize the importance the United States places on these ties, President Ford has asked me to bring personal greetings to the members of the Council. I will read you his message:

"Please accept my warmest wishes on the occasion of your members' and directors' meetings. In the brief period since its formation in 1973, the U.S.-U.S.S.R. Trade and Economic Council has already made a major contribution to the development of U.S.-Soviet trade. This trade not only serves our economic interests; it also promotes closer ties between our governments and our peoples. I hope that your meetings will be productive, and that the Council will continue to play its significant role in strengthening relations between our two countries.

Sincerely,

Gerald R. Ford"

"Finally, I would like to express my warm appreciation to Minister Patolichev, Mr. Alkhimov, and our other Soviet hosts for the friendship and hospitality that they have always extended to us. As I look back on my four years in government, I realize that governments are no more or no less than the people involved. It's that very element that has made this country such a leader in the world, and it's that same element that can bring our countries closer. I wish this council and the Soviet leaders here the greatest success. Through your efforts to increase trade and economic cooperation, we can all help guarantee the peaceful solution of broader political problems. Together we can build stronger economic ties which will help ensure a more peaceful and prosperous world in the years ahead.

Thank you.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

Contact: Richard B. Self
Extension: 8256

FOR IMMEDIATE RELEASE November 30, 1976

TREASURY DEPARTMENT ANNOUNCES TWO
ACTIONS UNDER THE COUNTERVAILING DUTY LAW

The Treasury Department announced today two preliminary decisions under the U.S. Countervailing Duty Law (19 U.S.C. 1303).

In the first case it was determined preliminarily that imports of handbags from the Republic of China were receiving benefits under(1) preferential short-term financing, (2) income tax holiday, and (3) incentives for firms locating in export processing zones.

Under the Countervailing Duty Law, the Secretary of the Treasury is required to assess an additional duty on merchandise benefiting from the payment or bestowal of a "bounty or grant" by a foreign government or other entity. The additional duty is equal to the amount of the bounty or grant.

In the second case, imports of handbags from Korea, it was preliminarily determined that Korean handbag manufacturers receive benefits which in the aggregate are legally de minimis, and, consequently, a preliminary negative determination was issued in this case. Both the above decisions will be published in the Federal Register of December 1, 1976, and final determinations in these cases must be made by May 24, 1977.

Imports of the subject merchandise during 1975 from the Republic of China were valued at roughly $17.5 million; and from Korea, $28.7 million.

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WS-1192

he Department of the TREASURY NEWS
ASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE UPON DELIVERY

REMARKS OF RICHARD R. ALBRECHT
GENERAL COUNSEL OF THE TREASURY DEPARTMENT
BEFORE THE
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
STATLER HILTON HOTEL -- WASHINGTON, D. C.
TUESDAY, NOVEMBER 30, 1976 -- 1:00 P.M.

I am sure by now that each of you has characterized in your own mind the Tax Reform Act of 1976. Depending on your point of view and your concept of tax "reform," you have used various adjectives to describe the Act. It has also received a lot of labels from the press--but I have found no instance in which it has been described as real "reform."

A Washington Post editorial in July began:

> "It used to be called the Tax Reform Act. As it now stands on the Senate floor, it deserves to be called the Tax Shelter and Covert Subsidy Bill."

In July the New York Times carried, on the front page, an article with the headline "Tax Bills Pass Senate with Contents Unknown." A Chicago Tribune editorial in September called it "A hodge-podge"; the New York Times called it "Elephantine"; Business Week described it as "a crazy-quilt of special relief provisions combined with some half-hearted efforts to tighten some tax shelters"; and the Wall Street Journal said it should be vetoed, "not because it contains too many bad provisions, and not because it doesn't contain enough good provisions... (but) because it contains too many provisions."

The accuracy or inaccuracy of the press' conclusions are not important. What is important is what a responsible, informed, free press is telling the American public about our tax system. This bicentennial year seems to be an occasion for us to pause and reflect on where we have been as a nation, where we are, and where we are heading.

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I will resist for today the temptation to examine the state of our legislative process that produced such a headline--although I am sure a political science professor could shape an entire college course around that statement. Rather, I would like to examine with you the state of our income tax laws after 200 years of national growth and only 63 years of growth of the income tax.

As we are all well aware, this nation was born during a tax revolt. The citizens of the 13 colonies were persuaded that the taxes being imposed on them were unfair and inequitable.

From the adoption of the Sixteenth Amendment in 1913, the income tax has progressed from a 15-page statute levying taxes at rates from 1% to 6% to an Internal Revenue Code requiring 1,700 pages of the United States Code and 6,000 pages of regulations levying income taxes at rates up to 70%.

Notwithstanding this dramatic increase in size, complexity, and tax levels, this tax system has served the country well along the way. It--along with some help from purchasers of government securities--enabled the United States to finance two World Wars and two so-called limited wars. It has assisted in the financing of the exploration of the moon and Mars. It has paid for a host of programs representing the noble efforts of our society to deal with its problems--from a war on poverty to wars on crime--from foreign aid to school lunch programs--from the search for a cure for cancer to the development of an effective swine flu vaccine.

But our tax system has been called upon to do a lot more than finance the direct efforts of its government. It has encouraged home ownership by millions of Americans by allowing the deduction of interest paid on a home mortgage. It has been used in an effort to alleviate the economic impact of major illness by allowing for the deduction of certain expenses for medical care and permitting the exclusion of sick pay from income. The dividend exclusion has been added to foster the ownership of stock by small investors, while the investment tax credit has encouraged American industry to increase its productive capacity and create more jobs. Through Domestic International Sales Corporations, it has encouraged manufacture at home rather than abroad by U.S. companies selling in foreign markets. It has encouraged investment in real estate developments through provisions such as those permitting accelerated depreciation of new projects.

The list is nearly endless. The income tax has been an efficient, convenient and effective tool for accomplishing many national objectives. An efficient, well-managed bureaucracy in the IRS has assisted in carrying out many national programs under the guise of collecting the revenue necessary to finance and administer other programs. That organization has done a good job, I might add. So good, in fact, that its team of professionals is looked to for assistance whenever a new, unplanned job comes along--whether it's administering a wage and price control program or providing staff for an energy office or a sky marshal program.

The significant feature of this tax program has been the voluntary compliance of the American public with the tax laws. This feature is not only significant but unique. That an American citizen would sit down at the end of the year and voluntarily report to his government--accurately and honestly--his income and his tax liability is an idea not readily accepted in many countries of the world. Sure there are some built-in incentives--criminal sanctions for noncompliance, withholding from wages and salaries, and quarterly payments to ease the blow on April 15. Indeed, withholding tables that produce refunds for a large number of taxpayers probably help greatly in assuring compliance and early filing.

But this maze that is our tax law has developed to the point where we must ask ourselves where we are headed. We must ask whether the tax law has been called upon to do too many things. The most frequently quoted statement by Commissioner Alexander was his apology to the American taxpayer for the length and complexity of this year's tax returns. And, in announcing next year's tax returns, he said, "Completing your return this year could be more difficult." We are told that two out of five taxpayers seek professional help in preparing their individual returns--with millions more who could benefit from such assistance. We are told by the General Accounting Office--with apparent delight on the part of the press--that even accountants and tax lawyers can't compute the average taxpayer's liability without error more than half of the time. Those figures should not be too surprising since, unfortunately, there are many issues as to which there is no single right answer. Many entries on a return can depend upon the judgment of the preparer and on whether or not a doubt is resolved in favor of the taxpayer or the government. But it also should not be a surprise that this situation has fostered the growth of organized tax protest movements and has produced press reports of an impending tax rebellion.

If we believe--as I do--that our "voluntary, self-assessment" tax system is worth holding onto, we must act now. It may no longer be a "self-assessment" system when nearly half of the returns are prepared by hired hands. Hired, incidentally, in most instances not because of the affluence of the taxpayer, but because of his feeling of helplessness when faced with a set of incomprehensible forms, instructions, rules and regulations.

It is encouraging to note that both of the major organizations of professional tax practitioners--the American Bar Association Section of Taxation and your Institute--have spoken out in favor of tax reform.

The ABA Section of Taxation has established a Special Committee on Simplification, which in 1976 prepared a formal recommendation which was adopted by the ABA's Board of Governors in April and which calls upon the Congress to:

> "simplify the internal revenue laws to the maximum extent consistent with basic equity, efficiency and the need for revenue, so that such laws can be easily understood and complied with by taxpayers and fairly and consistently administered and enforced by the Treasury Department."

I am aware that your Institute has long taken a position advocating the simplification of the tax laws, and that you are presently considering appointing a special task force to study this problem.

Secretary Simon has also publicly expressed his belief that basic tax reform is necessary. In a speech earlier this year he said:

> "Let me turn now to the...step that I personally believe we should begin considering with regard to our tax system. This is a concept that has been suggested from time to time but it is rarely given serious consideration. It is simply this: to wipe the slate clean of personal tax preferences, special deductions and credits, exclusions from income, and the like, imposing instead a single, progressive tax on all individuals."

When the official charged with collecting the taxes, the tax bar and the AICPA can agree on a basic objective, it must have some merit. But getting there will not be easy.

Ours is a complex society, with complicated and sophisticated financial transactions (some of which certainly have become more complex as the result of efforts to minimize taxes). The obvious questions will come to your minds more quickly than they will to others. How do we deal with personal holding companies, collapsible corporations or corporate reorganizations under a simplified system?

There would also be tremendous transitional problems--and problems of effective dates to prevent a rash of pre-effective-date transactions in anticipation of true reform. You are all aware of the problems associated with the phasing in and phasing out of a single tax feature such as the investment tax credit. Overhauling the entire system will immeasurably compound those problems. These problems should not deter us, however, since the phasing out of complexities will always produce its own set of transitory complexities, no matter when it is undertaken.

It will not be easy to sell tax reform to those--and there will inevitably be some--who will pay higher taxes. I suspect it will be even more difficult to sell reform to those whose over-all tax burden will actually decrease, but for whom the prospects for decrease are well hidden by the complexities of current law.

President-elect Carter has called our present tax system a disgrace to the human race and has promised to support tax reform. He has said that he will initiate a thorough, one-year study of our tax system and laws in order to determine what reforms are needed. The Treasury Department has already begun this task. At the direction of Secretary Simon, a task force headed by Charles Walker, Assistant Secretary for Tax Policy, began in late 1975 the task of making tentative decisions on specific elements of a proposed restructured system. This study will result in a report which will include specific recommendations for a basic restructuring of the tax system. The review has been conducted in a highly professional manner, and the report should not be regarded as a partisan political one.

While it is premature to suggest what any of the tentative decisions of the Basic Tax Reform Project are, we can take a look at the approach that is being followed.

The present system is being reviewed in its entirety, with a view to recommending changes that will:

1. make it simple;
2. make it more fair;
3. make it economically efficient.

The simplification goal is self-evident. The Code provisions should be easily understood and applied, especially by the large majority of individual taxpayers. Simplicity is, of course, of less concern and more difficult to achieve for high income, sophisticated taxpayers and large business enterprises.

The fairness goal is to treat similarly situated taxpayers in as equal a manner as possible, and to produce a system under which all taxpayers are perceived to pay, and in fact do pay, their fair share of taxes.

The economic efficiency goal is to neutralize the tax system in decisions on the utilization and allocation of resources. Let me give you a few examples of the questions being raised in the review. When considering the matter of treating equally situated taxpayers equally, how should the system treat equal income earners who behave differently with respect to savings from their earnings? One taxpayer may invest his savings and another may spend them, for example, on leisure or recreational activities. To the extent that income is received from capital in which the savings were invested, what is fair treatment as between these two taxpayers? Compound the question with the fact that one of these taxpayers may receive an inheritance of capital. To what extent, if any, does the source of the capital make a difference in the equal treatment of these taxpayers? To what extent should there be any difference between the tax treatment of these taxpayers according to whether they own or rent their homes, whether they send their children to public or private schools, whether they choose to live in expensive or modest housing, whether they are healthy or afflicted with health problems, whether they live close to or remote from their place of work, whether they save for retirement, their employer does so for them, or they depend upon social security?

Other issues are faced when testing the system for fairness, simplicity, and efficiency by looking at the way in which the tax base is measured. Some of these questions follow naturally from those asked earlier when discussing fairness. If the income from capital should be taxed, how should it be taxed? How often should it be taxed? For example, if income from labor is taxed, saved, and deposited in a savings account, should the interest on the account be taxed? Of greater significance is the question of the taxation of corporate earnings. Should they be taxed to the corporation which earns them and then again as income to the shareholders who received dividends from those earnings? This raises the question of how to tax corporate earnings that are retained and not distributed as well as how to treat individual shareholders who retain stock in such a corporation until they die, bequeathing it to a friend, a relative, or to charity. Related questions concern the taxation of capital gains on sales of securities as well as gift taxes on the transfer of corporate shares.

The Treasury review is assuming that no changes should occur in the total revenue raised, in the effective degree of progressivity in the present tax system, or in the distribution of the tax burden among income classes.

At this point, the study is in the advanced stage, and a number of tentative decisions have been made, with more yet to be made. Computer analysis is being used to assist in determining an appropriate rate structure and in ascertaining the need for revising some of the tentative decisions.

In the work to date, there has been an effort to broaden the tax base in every reasonable and consistent way, and to reduce deductions, credits and exemptions to a minimum. The starting point has been to eliminate all of them, and to retreat from that point only as far as necessary to advance the goals of simplicity, fairness and efficiency of the tax system. Decisions also have been made concerning the measurement and taxation of income from business, conducted both in corporate and noncorporate form. Decisions are in process with respect to the measurement and taxation of foreign source income. Decisions are yet to be made on numerous other subjects, including proposed statutory assurance that the relative tax burden among income classes, reflected by the lower rate structure adopted for the broadened base, will remain constant.

When the work of this task force is made public, hopefully by the end of this year, we will put to the acid test the degree of our national addiction to the use of the income tax to try to fine-tune our society.

No doubt every special interest group that currently benefits from one of the deductions, exemptions or special provisions will look with a jaundiced eye at any proposal that eliminates such a provision. We will be reminded with a vengeance that one taxpayer's concept of "equity" will be looked on as another person's loophole.

This is when we will need the cooperation, patience, understanding and selfless leadership of all professional tax practitioners.

Any Basic Tax Reform proposal worth its salt will contain some real shockers. Some of the concepts that have come to be regarded as fundamental may have to be discarded.

That is when I believe you and all tax professionals can provide a valuable public service. Against the backdrop of the inevitable emotional reactions, your Institute can provide an objective analysis of the proposal in terms of its ability to meet the announced objectives. While your analysis will undoubtedly prompt you to propose modifications, I hope you can resist the temptation to fine-tune the package with a host of special provisions.

Then, if you agree that the proposal--taken as a whole--is an improvement over what we have today, the Institute should speak out in no uncertain terms. You will have the opportunity and, I believe, the responsibility, to help educate a public that, although it may be ready for change, has in the past shown itself to be very reluctant to accept dramatic changes.

I am convinced that this task is not only necessary, but one that can be accomplished.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE AT 4:00 P.M. November 30, 1976

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $5,700 million, or thereabouts, to be issued December 9, 1976, as follows:

91-day bills (to maturity date) in the amount of $2,300 million, or thereabouts, representing an additional amount of bills dated September 9, 1976, and to mature March 10, 1977 (CUSIP No. 912793 E9 3), originally issued in the amount of $3,405 million, the additional and original bills to be freely interchangeable.

182-day bills, for $3,400 million, or thereabouts, to be dated December 9, 1976, and to mature June 9, 1977 (CUSIP No. 912793 G6 7).

The bills will be issued for cash and in exchange for Treasury bills maturing December 9, 1976, outstanding in the amount of $5,706 million, of which Government accounts and Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold $2,598 million. These accounts may exchange bills they hold for the bills now being offered at the average prices of accepted tenders.

The bills will be issued on a discount basis under competitive and non-competitive bidding, and at maturity their face amount will be payable without interest. They will be issued in bearer form in denominations of $10,000, $15,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value), and in book-entry form to designated bidders.

Tenders will be received at Federal Reserve Banks and Branches and from individuals at the Bureau of the Public Debt, Washington, D. C. 20226, up to 1:30 p.m., Eastern Standard time, Monday, December 6, 1976. Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. 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.

Banking institutions and dealers who make primary markets in Government

securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others 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 bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. 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 $500,000 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 or Branch or at the Bureau of the Public Debt on December 9, 1976, in cash or other immediately available funds or in a like face amount of Treasury bills maturing December 9, 1976. 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.

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 considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of bills (other than life insurance companies) issued hereunder must include in his Federal income tax return, as ordinary gain or loss, the difference between the price paid for the 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.

Department of the Treasury 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, or from the Bureau of the Public Debt.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE November 30, 1976

RESULTS OF AUCTION OF 4-YEAR TREASURY NOTES

The Treasury has accepted $2,504 million of $5,613 million of tenders received from the public for the 4-year notes, Series F-1980, auctioned today.

The range of accepted competitive bids was as follows:

Lowest yield	5.87%
Highest yield	5.92%
Average yield	5.91%

The interest rate on the notes will be 5-7/8%. At the 5-7/8% rate, the above yields result in the following prices:

Low-yield price	100.010
High-yield price	99.832
Average-yield price	99.867

The $2,504 million of accepted tenders includes $502 million of noncompetitive tenders and $2,002 million of competitive tenders (including 95% of the amount of notes bid for at the high yield) from private investors.

In addition, $180 million of tenders were accepted at the average price from Federal Reserve Banks as agents for foreign and international monetary authorities for new cash.

WS-1195

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

CONTACT: GEORGE G. ROSS
202/566-5985

FOR IMMEDIATE RELEASE November 30, 1976

EXPLANATORY NOTE ON THE USA-FRANCE TAX DISCUSSIONS

Attached is a copy of the Explanatory Note on the French-American tax discussions, which sets forth in some detail the rules applicable under French and American law to Americans domiciled in France. This is the Note referred to in the Treasury News Release of November 29, 1976 (WS-1190).

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WS-1196

EXPLANATORY NOTE

On The French-American Tax Discussions

Representatives of the French and American Governments met to consider certain problems in applying the French-American income tax convention of July 28, 1967. The French and American delegations announced their mutual interpretation of treaty provisions which can affect American taxpayers resident in France. In addition, the French delegation clarified certain internal laws regarding the income taxation (impôt sur le revenu des personnes physiques) of Americans resident here.

The two delegations agreed that the present income tax convention does not inhibit repeal of Article 164-1 of the CGI, which article currently exempts Americans resident in France from French tax on non-French source income which the taxpayer can show is subject to United States tax. The French delegation set forth its view on this subject. It recalled that this view had been expressed when the present treaty had been negotiated and it referred to notes which it had taken at that time. The American delegation acknowledged that the claim of France as the country of residence to tax worldwide income of Americans resident here was consistent with the treaty. In addition, the parties agreed as to the following points:

1. <u>United States Business Income</u>

Except as to income from personal services rendered in an independent capacity or as an employee (Articles 14 and 15 of the present convention), income from United States sources which the United States taxes as business income without regard to citizenship is exempt from French income tax, although the French may take such income into account in determining the progressive rates on income which is taxable.

2. <u>Services Performed as Employee</u>

a) <u>Services Performed Outside the United States</u>

Income from salaries, wages and similar compensation including deferred compensation (other than a pension or annuity) and employee benefits such as stock options and employer-paid insurance premiums which are attributable to services performed outside the United States by residents of France may be taxed by France. The United States, subject to its internal law limitations, will allow a foreign tax credit in respect of such items; and since those items will be considered as foreign source income under United States law, it is expected that double taxation will be generally avoided. The French delegation clarified that employer contributions to pension, profit-sharing and other retirement plans which qualify under the United States Internal Revenue Code will not be considered income to the employee; and payments received by the employee in respect of those plans will be included in his income when, and to the extent, that the payments are considered gross income under the Internal Revenue Code. Benefits received by reason of exercise of stock options will be considered compensation for French purposes at the time and to the extent the exercise of the option or disposition of the stock gives rise to ordinary income for United States tax purposes.

b) Services Performed Within the United States

The two delegations reserved to a later date the question of taxation under the present convention of employee services performed in the United States by an American taxpayer resident in France.

3. Independent Personal Services

Income from services performed in an independent capacity will be considered by both France and the United States as income from sources within the country where the services are performed.

In this connection France may treat the distributive share of profits received by the partner of a service partnership as attributable to the place where the partner, rather than the partnership as a whole, performs services. Thus, a partner's entire distributive share of profits will be taxable by France, subject to the reserved question of his performance of services in the United States. By contrast, under United States internal law, that portion of the French resident partner's share in distributive profits is French source income only to the extent it represents the partnership's, rather than the partner's, percentage of income from French sources. Thus, to some extent, double taxation could remain.

The United States agreed, however, that a guaranteed payment to a partner -- that is, one that is required to be made regardless of whether the partnership has any income for the year -- is for the purposes of determining source to be treated as a payment to one who is not a partner. For the proportion of guaranteed payments related to services performed outside the United States, this treatment will result in such payments being considered foreign source income for United States tax purposes. Accordingly, the United States foreign tax credit should substantially eliminate double taxation even though the guaranteed payments are fully subject to taxation by France. For the proportion of the guaranteed payments related to services performed within the United States, the question has been reserved. By reason of this treatment under the United States Internal Revenue Code Section 707 (c) of guaranteed payments as made to one who is not a partner, the French delegation has agreed to treat the payments under the provisions of the treaty and of the French tax code as employee income. In order to be entitled to the above treatment, a partner must show that the partnership has guaranteed to him in writing a specified amount without regard to the income of the partnership, which guarantee must exist prior to the beginning of the partnership's fiscal year. The treatment of guaranteed payments is not changed by the fact that a partner's share in the partnership's profits is greater than the payment which has been guaranteed to him. However, any excess is not considered a guaranteed payment.

4. Deductions

It was agreed that Americans resident in France could, as business deductions, specifically deduct the following in determining French tax.

a) State and Local Taxes

State and local income taxes imposed in respect of income from personal services and any other business income (except income which is exempt from French tax under the existing treaty) will be a deductible business expense.

b) Interest and Real Estate Taxes

Unlike the situation under United States law, interest and real estate taxes incurred for personal purposes will not be deductible from French taxable income. However, interest and real estate taxes on property leased for profit will be deductible in computing French tax, provided that the rent is taxable or taken into account by France.

c) <u>Charitable Contributions</u>

Americans resident in France can deduct from income, under the conditions provided by French law, contributions to American charities whose purpose is similar to that of public interest organizations established in France, referred to in Article 238 bis of the French tax code.

5. <u>Investment Income</u>

The French and American Governments will cooperate to reduce the possibility of double taxation on investment income in the event Article 164-1 is repealed. Such cooperation will take into account the effective date of the repeal of Article 164-1, the allowance of foreign tax credit, and the conclusion of a protocol to the present convention. France agreed that, as a transitional measure, it would permit Americans resident in France to credit against French tax on dividends, interest and royalties from United States sources, the effective amount of United States tax on those items of income.

6. Other United States Source Incomes

Residents of France whose income consists entirely of United States source income taxation of which is reserved exclusively to the United States by the provisions of the tax treaty (for example, real estate income, public pensions, and social security payments) will not be taxable by France.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

AMENDED COPY

FOR IMMEDIATE RELEASE December 1, 1976

RESULTS OF AUCTION OF 4-YEAR 1-MONTH TREASURY NOTES

The Treasury has accepted $2,504 million of $5,613 million of tenders received from the public for the 4-year 1-month notes, Series F-1980, auctioned yesterday.

The range of accepted competitive bids was as follows:

Lowest yield	5.87%
Highest yield	5.92%
Average yield	5.91%

The interest rate on the notes will be 5-7/8%. At the 5-7/8% rate, the above yields result in the following prices:

Low-yield price	100.007
High-yield price	99.829
Average-yield price	99.864

The $2,504 million of accepted tenders includes $502 million of noncompetitive tenders and $2,002 million of competitive tenders (including 95% of the amount of notes bid for at the high yield) from private investors.

In addition, $180 million of tenders were accepted at the average price from Federal Reserve Banks as agents for foreign and international monetary authorities for new cash.

WS-1197

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

REMARKS BY THE HONORABLE JOHN M. PORGES,
U.S. EXECUTIVE DIRECTOR, INTER-AMERICAN DEVELOPMENT BANK,
AT THE SEMINAR ON THE INTER-AMERICAN DEVELOPMENT BANK,
SPONSORED BY THE INTERNATIONAL TRADE MART,
NEW ORLEANS, LOUISIANA, DECEMBER 2, 1976.

The Role of the Inter-American Development Bank in Promoting the Socio-Economic Development of Latin America

I am happy to be in New Orleans today and very pleased to speak to participants in this seminar. As United States Executive Director of the Inter-American Development Bank, I would like to talk about the work of the Bank and its contribution to the economic growth and the social development of Latin America. As citizens of this city and state, all of you are very much aware of important cultural and historical links between the United States and Latin America. Since New Orleans is a commercial gateway to Latin America, you are also especially aware of business and banking links. With respect to this second point, I want to comment a little later on how we in the United States benefit from the work of the Inter-American Development Bank (IDB) both in terms of achieving our over-all foreign policy objectives and in the expansion of our exports and the creation of employment here at home.

Let me begin with a brief summary of the Bank's history and operations. As its name indicates, the Bank is an international lending institution. It provides long-term financing to accelerate the economic growth and development of its member countries. Some of this financing is provided on near market terms with current interest rates of 8.6 per cent and maturities

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of 15 to 25 years. These are referred to as "ordinary capital" loans and are directed mainly toward projects which generate favorable financial rates of return. Other loans are provided on concessional terms -- with interest rates of between 2 and 4 per cent per annum and with maturities of up to 40 years. These loans are called Special Fund Operations and are directed toward the least developed countries of the hemisphere and to the least-advantaged elements of the population in these countries, mainly for purposes such as potable water and rural health programs. Projects of this kind do not generate favorable financial rates of return. They are, however, extremel important in channeling economic and social benefits to the neediest people.

The Bank was founded in 1959. At the present time, its capital stock is owned by 26 Western Hemisphere countries, including the United States, Canada and 24 Latin American and Caribbean countries, and nine non-regional developed countries, which are: Germany, Japan, Great Britain, Switzerland, Belgium, Yugoslavia, Spain, Denmark and Israel. These non-regional countries joined the Bank last summer. Their membership has increased the total resources of the Bank to $17.2 billion. For the governments of industrial countries, membership in the Bank offers new opportunities for expansion of their Latin American markets. Other non-regional countries are expected to join the Bank shortly, including the Netherlands, Italy and France. We expect that all the non-regional countries, once they become Bank members, to compete aggresively for procurement arising from Bank projects.

For the governments of Latin America and the Caribbean, the IDB has been a primary source of official external development assistance. In 1975, for example, the flow of development financing to Latin America amounted to nearly $3.0 billion. Of this total, the IDB provided $1.375 billion, or 47 per cent. So far as concessional lending is concerned, during the same period the IDB provided $634 million, or nearly 80 per cent of this scarce and very useful financing.

In my own travels throughout the hemisphere, I have always been impressed by how aware local government officials are of the Bank's work. This awareness has been translated through extensive press coverage into public understanding -- especially in Latin America -- of the Bank's role and its impact on economic growth and social development in the hemisphere. I don't want to belabor you with statistics, but perhaps a few figures will give you a better idea of what this impact has been.

As of September 30 of this year, the Bank had made loans totalling more than $ 9.4 billion. These loans were parts of projects which, in aggregate, were worth more than $ 37 billion. In other words, through its lending operations the Bank has prompted its borrowers to mobilize $27.6 billion of their own domestic or other resources. By working closely with borrowing governments we have tried to direct this money to key economic sectors where there can be a relatively rapid economic pay-off as well as to programs which have important long-term social benefits. I have already indicated that some of these programs of important social benefits include potable water, sewerage systems, rural health and primary and technical education.

Thus, the flow of Bank capital assistance is impressive not only because of its own volume but also because of its catalytic effect in stimulating other investment flows. For illustration, I can cite our work in providing electric power generation and distribution facilities. As of September 30, 197(we had loaned more than $1.9 billion for this single sector. We have also bee very active and with similar catalytic effect in road projects. Real development is not possible in the absence of infrastructure. By making loans for these purposes we have encouraged a parallel movement of private funds, both foreign and domestic, into areas where it would not have been possible before.

Another very important part of our loan portfolio is in the agricultur sector. On a cumulative basis the Bank has lent more than $1.6 billion to finance directly productive agricultural projects, mainly through relending programs. In addition, the Bank has lent considerable amounts for rural roads, rural electrification, water supply and other services which assist the farming communities. In 1975 alone, it is estimated that our lending program benefitted more than 1.6 million farmers. Between a quarter and a third of this lending was directed at small farmers, either singly or in cooperatives.

In Mexico and the Dominican Republic, ambitious projects for integrated rural development are now under way which promise to improve dramatically the situations of individuals who previously were physically isolated and unable to provide for themselves economically.

In addition to its lending, the Inter-American Development Bank also provides technical cooperation assistance in the agricultural sector. Since 1961, this has amounted to more than $66.0 million. The emphasis of these programs is on prefeasibility and feasibility studies which will lead to loan project proposals by our member countries. The funds are also used to prepare basic studies and to provide training and advisory services usually on a non-reimbursable basis. I should mention that we also established in 1975 an International Group for Agricultural Development and Food Production in Latin America.

This organization includes a small secretariat and functions under the auspices of the Bank. It has begun work on elements of a general strategy for agricultural development and increased food production in Latin America. We hope it will provide much needed consultation, coordination, and cooperation among different agencies active in this field. In addition, we also support the International Maize and Wheat Improvement Center (CIMMIT) in Mexico, the International Center for Tropical Agriculture (CIAT) in Colombia and the International Potato Center (CIP) in Peru. We have also started assistance programs with a number of national research centers to facilitate the transfer and adaptation of the international research work.

Last year, the Bank also inaugurated a program of direct assistance to credit unions, cooperatives and their federations in Latin America. In this way, we hope to strengthen these institutions over the long term so they can more effectively reach the lower income groups throughout Latin America.

The Bank has been a leading and innovative lender in two other significant sectors as well. To date, we have lent $752 million to help finance potable water and sanitation projects. We were, in fact, the first to provide external financing for projects of this kind and pioneered in this area before other lending agencies. As a result, since 1960 the percentage of Latin America's urban population served by potable water connections has increased from 40 to 60 per cent. Over the same time period, the rural population with access to potable water jumped from 8 to 25 per cent.

We have also led the way in our loans for education. On a cumulative basis, these loans amount to more than $306 million. They have expanded or improved 690 learning centers, including 146 universities and 504 vocational and technical schools. Our emphasis on this sector is now shifting away from universitites toward technical and vocational schools. In my view, this is the correct approach because skilled manpower will be an increasingly key element as the process of economic growth continues in Latin America. In Brazil, especially in the Sao Paulo area, the training of skilled manpower has been absolutely vital to that country's impressive economic achievements.

Let me turn now to the subject of Latin America's current economic situation and prospects and what this means for future lending by the Bank.

In comparison with other parts of the developing world in Africa and Asia, Latin America's over-all level of economic development is relatively high. This reflects a great deal of progress achieved during the 1960's and 1970's. On a regional basis, per capita income is three times greater than it is in Africa and Asia. The process of industrialization is also farther advanced, with 25 per cent of regional GNP now originating in industry. Brazil is one of the great economic success stories and Mexico, leaving aside its present difficulties, made impressive economic progress over a period of many years.

Other countries have not fared so well, however. Many are suffering from the effects of higher prices for petroleum and manufactured goods and their economic prospects have declined. Countries such as Paraguay, Bolivia, Guatemala, Honduras and Nicaragua are classified as least developed. They have low per capita incomes and show little progress or prospects for greater industrialization. Haiti is an extreme case of poverty with an estimated per capita income of $100 per year.

The Bank should be and is, in fact, paying greater attention to the problems of its least developed member countries. As a result of their improved position, the relatively more advanced countries such as Venezuela, Brazil, Mexico and Argentina are now making greatly increased contributions of freely usable funds to the Bank's resources. For the future, this process will continue and even accelerate. At the same time, we will see greater emphasis on lending to the poorest countries. Concurrently, the relatively more advanced countries will assume more and more of the donor country posture. To illustrate this point, Venezuela no longer receives loans from the Bank. In addition, its contributions to the Bank are being made entirely in convertible currency and it has established a Special Trust Fund of one-half billion dollars administered by the IDB for lending to the poorer countries.

So far as sectoral emphasis is concerned, I have already mentioned the importance of agriculture and indicated that it constitutes a very significant part of our loan portfolio. Nevertheless, we have to further increase our concentration in this sector -- both in absolute and percentage terms. During the next three years we want to increase our sectoral concentration in agriculture from 22 to 30 per cent of portfolio. In addition, we also want to become a greater force for change, both in production method and in pricing policy.

I have mentioned that the Bank provides budgetary support for several international and national agricultural research institutes. These institutes serve as experimental stations and clearing houses for information on new seed varieties and better uses of fertilizers and pesticides. The contributions of these organizations have been very valuable. This year, the Bank is supporting several national institutes which modify and pass on where necessary to users in their own countries the results of work undertake by the international institutes. What is now needed in the agricultural sector is a fuller mobilization of private capital expertise and the application of what we call agri-business method to food production problems throughout Latin America.

What is also needed is better planning and coordination among government agencies concerned with agriculture. In many instances, unwise pricing policies have frustrated individual farmers and discouraged needed investments. In one country, for example, enactment of protectionist tariff measures promoted the establishment of assembly operations for consumer durable products. These operations flourished at the expense of agriculture and resulted finally in a situation in which the country "manufactured" television sets and automobiles while increasing the amount of imported food. The economic irony is that this occurred in a country with unused arable farmland and unemployed farm labor. There are other examples which can be mentioned. The point is that at a time of food scarcity, such as today, agricultural production should not be penalized to promote an inefficient industrialization process.

The Inter-American Development Bank took an important initiative to sponsor its Group for Agricultural Development and Food Production in Latin America. With other agencies such as the World Bank, the United Nations Development Committee, and the Latin American countries participating, I hope this new group can encourage more activity by private industry in the agri-business field in Latin America and change what I think are unwise pricing policies in some of the countries.

In my personal opinion, another matter of gravest concern to the future of Latin America is population growth. For the past decade the region has had the fastest rate of increase of any part of the developing world. Its population today is 300 million. By the year 2000, given present projections, this figure could reach 645 million. Of course, not all of the countries of Latin America have problems of population growth. Some, like Chile and Argentina have relatively low rates of 1.5 and 1.9 per cent per year. Other countries such as Mexico, Venezuela and El Salvador, have annual birth rates of up to 3.4 per cent. It is very clear that a solution needs to be found if the benefits of hard-earned economic growth are not to be lost to increased population demands. Some of the countries such as Mexico have already initiated programs to curb their population growth. Other countries with high annual birth rates need to do this also.

A component part of the population problem is the phenomenon of mass migration now going on from rural to urban areas. Rural areas in Latin America lack the job opportunities and services which one associates with city life, and consequently the attraction has been strong. In terms of population, Latin America has some of the world's leading cities. Greater Buenos Aires, with nearly 10 million people, contains close to 34 per cent of Argentina's total population. Rio de Janeiro by 1980 is expected to have more than 9 million people and the population of Sao Paulo, in southern Brazil, should exceed 12 million by the same date. Caracas, with 600,000 people in 1950, is expected to have more than 3 million by 1980. The economic and social systems of the developing countries are in most instances fragile and extremely vulnerable to the stresses of combined population growth and urban migration. Even in the relatively more advanced countries, jobs and services cannot be generated quickly enough to accomodate such large numbers of people. The results are the "favelas" of Rio de Janeiro and the "ranchos" of Caracas. For a least developed country such as El Salvador, the results can be worse.

The Bank has tried to help in the context of its lending for health purposes. For example, we have been increasing our emphasis on pre and post natal care and counseling. In the countryside, we have encouraged the construction of small clinics in an effort to reach larger numbers of the rural poor. Finally, by providing increased job opportunities and better services such as potable water and electricity, we have sought to create reasonable alternatives to city migration.

In summary, we can say that there have been notable economic successes in Latin America. The Bank, in the 16 years of its existence, has been very much a part of the success. At the same time, much remains to be done, especially in the "least developed" countries of the hemisphere. Increasing agricultural production and ameliorating the over-population problem and urban migration are two large issues that have to be faced. With new funding coming from Europe and Japan and greater contributions from the

Latin Americans themselves, the Bank is better able to do its job. Nevertheless, there is a continuing need for a strong and effective U.S. participation in the Bank.

At the start of my remarks, I said that I wanted to comment on how the United States benefits from the work of the Inter-American Development Bank. These benefits are closely related to our over-all perceptions of U.S. interests in the region.

First, there is the benefit of access to the raw materials that are vital to the further expansion of our own domestic economy. In 1975, for example, Latin America provided 24 per cent of our petroleum imports, 48 per cent of our copper imports, and 34 per cent of our iron ore imports. In addition, we obtained sizeable amounts of foodstuffs from Latin America, including 47 per cent of our sugar imports, 82 per cent of our bananas, 60 per cent of our cocoa and 40 per cent of our coffee. Bank infrastructure projects in many cases facilitate the production, processing and transportation of these products.

Secondly, there are the substantial benefits which we enjoy from trade and investment. The United States has had a traditional trade surplus with Latin America. In 1975, this surplus amounted to more than $3.0 billion. To the extent that we promote economic growth and development, we create additional effective demand for the goods and services which we produce. Over the life of the Bank, it is estimated that more than $1.0 billion in additional U.S. exports has been generated as a result of Bank loans. This translates into 36,500 man years of employment. The latest available data on U.S. direct investment indicate that 14 per cent or about $15.0 billion is in Latin America and that this investment earns $1.0 billion annually in investment income. As I indicated earlier, the loan operations of the IDB facilitate the flow of private investment and frequently promote parallel flows of capital.

Finally, there is the benefit to our basic national interest in helping to continue what has been a remarkably long period of general peace in this hemisphere. The Bank's lending operations are formulated to promote economic growth and social development. It is these two factors, and the prospect for their improvement, which underlie the political stability necessary for peace in the hemisphere.

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the Department of the TREASURY NEWS
ASHINGTON, D.C. 20220 TELEPHONE 964-2041

REMARKS BY
UNDER SECRETARY OF THE U.S. TREASURY
JERRY THOMAS
PORT OF ENTRY DEDICATION
ORLANDO, FLORIDA
DECEMBER 1, 1976

Ladies and Gentlemen:

It is a genuine pleasure to participate in the opening of the Nation's newest official U.S. Customs Port of Entry, Orlando -- already among the world's outstanding tourist destinations!

I welcome you today to the growing fraternity of world trade communities. Orlando's port designation comes at a time when the U.S. Customs Service is making great progress in improving its capacity to serve both the tourist and the commercial trade communities.

Orlando, which is administratively within Customs' Tampa District and Miami Region, provides a direct link to the world's trading centers. It is no longer necessary for imported goods and foreign travelers to enter through other Florida ports enroute to here, the largest tourist attraction in the State.

That Customs' expansion in Florida comes during this Bicentennial Year is especially fitting. When the State and its adjacent areas were ceded to the U.S. by Spain in 1819, Customs revenues paid in the form of Congressional appropriations were used to pay some $5 million in claims to U.S. citizens for property loss.

Now, 157 years later, Customs collections from the Miami Region alone -- which includes Puerto Rico and the Virgin Islands as well as Georgia and North and South Carolina -- amounted to almost $350 million in the last fiscal year.

In collecting these revenues Customs cleared just under 3.5 million air passengers and more than 655,000 sea travelers. Customs formal entries, involving commercial shipments, (cargo) numbered 229,593.

WS-1199

Like the ports and other cities and areas of this lovely and progressive State, the Customs Service is in a period of constant change and growth.

More imported merchandise is being processed and more revenues collected than ever before in Customs history. During Fiscal Year 1976, which ended June 30th, Customs cleared $113 billion worth of imported goods into the country through its 300 ports of entry. For the Federal Treasury this meant some $5 billion in collected duties and taxes!

In reaching these recordshattering totals, Customs officers cleared 270 million international passengers (more than the population of the U.S., Canada, Australia and three more Floridas); 130,000 vessels; 353,000 aircraft, and nearly 79 million land vehicles, such as cars, buses and motorcycles!

But Customs many & vital responsibilities do not end with revenue collection. As the Nation's oldest Federal border enforcement agency, the Service is charged with enforcing not only its own laws, but also more than 500 other provisions of law for some 50 other Federal agencies.

From a public safety point of view, perhaps Customs' most important task is to stem the flow of illicit narcotics and dangerous drugs into the U.S.

A nationwide network of Customs officers has been organized to slow this avalanche of illegal drug trafficking. Customs has created and molded a professionally trained enforcement team backed by the latest and most sophisticated technology.

This combination of highly trained and knowledgeable Customs Officers and specialized equipment results in enforcement at the right place and at the right time for the apprehension of smugglers and their cohorts. Proof of the solid effectiveness of this approach, known as "Tactical Interdiction", is clearly evident here in the Tampa District, as well as in all parts of the country.

Let me cite a few numbers to support this assertion:

... Tampa District marijuana seizures climbed 216 percent in the last fiscal year, and accounted for 15 percent of all the marijuana seized in the entire Region.

... Hashish seizures were up 934 percent for the year!

... Cocaine jumped 187 percent, and the seizures represented nearly 40 percent of all that drug confiscated in the Region. Incidentally, twothirds of all cocaine seizures by Customs nationally are in the Miami Region, which embraces all Florida.

I will not burden you with more statistics, other than to note that nationally Customs narcotic seizures were up significantly in virtually every category. The estimated "street value" of these seizures was nearly $660 million!

It is a record of accomplishment, but it is not enough. We recognize that there is still much to do and we in Customs are committed to doing an even better job.

Orlando has been and continues to be a center of economic expansion. Florida tourism has climbed nearly 50 percent in the last decade; and the tricounty area of Orange, Seminole, and Osceola has, in fact, become the greatest tourist destination in the State.

Obviously with tourism comes commerce. During the last five years freight and express cargo destined for the Orlando Jetport has jumped 165 percent, to more than 27 million pounds.

The designation of the Jetport as an official Customs Port of Entry will most certainly add impetus to Orlando's development as a State and world tourist and economic mecca.

As a native Floridian, it is a personal pleasure to extend our Federal Government's warmest congratulations and a figurative pat on the back for the many men and women who strived and worked so hard to bring this Port of Entry to Orlando. You did your homework well!

The Customs Service looks forward to a mutually rewarding relationship with all of you.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE AFTER 11:00 A.M., EST.,
FRIDAY, DEC. 3, 1976

REMARKS BY F. LISLE WIDMAN
DEPUTY ASSISTANT SECRETARY OF THE TREASURY
FOR INTERNATIONAL MONETARY AFFAIRS
BEFORE THE
NORTHWEST MINING ASSOCIATION
SPOKANE, WASHINGTON
FRIDAY, DECEMBER 3, 1976

Role of Gold in the International Monetary System

I am pleased to have the opportunity to participate in your examination of the market outlook for precious metals. Yours is a group with a practical, perhaps personal, interest in the prospects for prices and sales of these commodities. I must make clear at the outset, however, that my contribution must be limited basically to an explanation of the role of gold in the international monetary system and the current policies of the U.S. Government with respect to gold, policies which have had broad, bipartisan support.

The governments and international institutions of the world hold stockpiles of gold equivalent to twenty-nine times the annual world gold production. Thus it is clear that governmental views and policies of gold inevitably have a major impact on the gold market. What I would like to do is to review the actions that have been taken in the past year with respect to the role of gold in the international monetary system and the relationship of governmental gold transactions to the gold market.

The judgment that gold does not and cannot serve as a sound or stable basis for a monetary system is almost universally accepted by governments throughout the world. The force of events and practicality have over the years led to a reduction of the role of gold in domestic monetary systems around the world to the point that it no longer serves an important monetary role in virtually any nation.

The amount of gold held does not effectively limit the money supply; it does not serve as a restraint on inflation. Similarly in the international sphere, the size of gold reserves is not a limiting factor on a country's ability to purchase foreign goods or financial assets. In practice, gold's role in the monetary system has been sharply diminished and the recent international negotiations on gold have centered more on how to reflect this reality in the legal framework of the International Monetary Fund Articles of Agreement than on what the role should actually be.

The Role of Gold in the International Monetary System

The international monetary system established in 1944 envisaged a central role for gold:

-- as the unit of value for the system and for the International Monetary Fund;

-- as a principal means of payment to be used by governments in transactions with the IMF;

-- as the main element of countries' international reserve holdings; and

-- as the link for holding together the system of fixed exchange rates or par values for national currencies.

But, in fact, gold never fully performed these functions, and over time it became increasingly apparent that it never could. Gold was not used for monetary purposes alone. It was a commodity with many industrial and commerical uses, and industrial demand grew dramatically in the post-war years as the world's economies expanded and personal income grew. But new gold production was strictly limited by natural factors and could not respond readily to the increased demand. Thus the amount of new gold production which became available for monetary uses declined rapidly. Moreover, the amount of new gold becoming available for monetary purposes each year was totally unrelated to the needs of an expanding world economy for liquidity. As a result price differences inevitably emerged between the controlled official market and the highly volatile private market, leading to official efforts to alleviate or suppress the pressures by sales of gold on private markets--further reducing official monetary stocks--and to widespread pressures and speculation for changes in the official price. But since gold was supposed to be the center of the system--the measuring rod against which the value of national currencies was to be determined--any change in the official price of gold would have had a capricious and destabilizing effect on the entire monetary system.

Actually as the exchange rate system had developed in practice, most countries maintained par values for their currencies by governmental intervention in the exchange markets to maintain exchange rates for their currencies at specified levels vis-a-vis the dollar. Only the United States met its par value obligations by undertaking freely to buy and sell gold at the official price of gold--the dollar's par value. The United States was, in effect, at the center of the system, with an obligation to convert other countries' holdings of dollars into gold at a specified price of U.S. $35 per ounce. But since monetary gold stocks were simply not adequate to permit countries to acquire an adequate amount of reserves in the form of gold, they built up their reserves in the form of U.S. dollars, thus forcing the U.S. to run balance of payments deficits. The result was that gold convertibility of the dollar became less and less credible and in 1971 was suspended altogether.

-- The Special Drawing Right (SDR) -- the present currency "basket" -- has replaced gold as the unit of account for IMF operations and transactions.

-- Countries have virtually ceased to use gold for payments to the IMF.

-- Monetary authorities have stopped using gold in transactions with other monetary authorities and gold has declined as a proportion of world official reserves-- from 70 percent in 1950 to 17 percent today.

-- Finally, the system of par values based on the dollar tied to gold convertibility has been replaced _de facto_ by a generalized system of floating exchange rates.

All of these changes have taken place as a matter of practical necessity. They add up to a major reduction of the international monetary role of gold that is widely accepted as inevitable and indeed desirable. The negotiations on gold over the past few years have to a large extent concentrated on how to reflect these changes in new Articles for the IMF -- that is, on how to codify and further promote the phasing out of gold's international monetary role. The only problem -- and the only real reason for retaining any monetary role for gold -- arises out of the fact that a portion of the international financial reserves of most countries -- a very high proportion for some -- consists of gold and no practical way has been found to dispose of that gold in the short run.

First, gold's legal position is changed. Under the amended IMF Articles of Agreement, gold will no longer have an official price. It will no longer be the legal basis in the Articles for expressing the value of currencies, for determining the value of the SDR, or for calculating nations' rights and obligations in the Fund.

Second, all legal obligations for use of gold in the IMF will be eliminated -- for example, in the quota subscriptions and payment of charges. In fact, the IMF will be prohibited from accepting gold except by specific decision, by an 85 percent majority vote.

Third, the IMF will be empowered to dispose of its remaining gold holdings in a variety of ways and by an 85 percent majority vote in each case.

Agreement was also reached to dispose of a portion of the gold presently held by the IMF. Some 25 million ounces, or one-sixth of the IMF's holdings, will be sold at public auction over a four-year period. The profits from this sale -- the difference between the original IMF purchase price and the proceeds of the sale -- will be used to extend medium-term loans to developing countries. An identical amount -- 25 million ounces -- will be "restituted" to IMF members -- i.e., sold to IMF member countries in proportion to their IMF quotas as the present official price.

The IMF's gold auction program was actually initiated on June 2, and it is expected that restitution of one-quarter (or 6-1/4 million ounces) of the total to be sold to members will take place in the next few weeks. It should be emphasized that the purpose of the IMF's auctions is to mobilize this IMF gold for the benefit of the developing countries. The objective is not to obtain a predetermined sum or to influence the gold price one way or the other. In fact, great care has been taken to sell the gold in an orderly, non-disruptive way that will have the minimal possible impact on the gold market. For the most part, this has involved removing, to the extent possible, all uncertainties regarding the sales, by announcing the time period and schedule over which these sales would be made and sticking to it. The market sales of 25 million ounces are to be made over a four-year period, on a regularly scheduled pro-rated basis. In many respects, this is similar to a new gold mine coming into production which can be expected to operate for 4 years at a production level of 6-1/4 million ounces a year.

Initial market reaction to the announcement of the IMF sales program was one of concern as to whether demand levels would be sufficient to absorb this amount of gold without seriously depressing the price. Actually, bids at each of the four auctions -- at each of which 780,000 ounces were sold -- totaled between 2.1 and 4.2 million ounces, sufficient to absorb the amount offered at close to the prevailing market price. The market price did decline over the period of the first three auctions -- for a variety of reasons including a decline in inflation in some countries, a reduction in commodity prices and other factors. The market price declined to $111 per ounce at the time of the third auction and it was suggested by some that the IMF vary its sales program to ease the pressure on the market. The Fund reaffirmed its intent to proceed with the planned sales program. In mid-October the price started an upward climb which actually accelerated following the fourth IMF auction at the end of October. Gold is now trading at around $130 per ounce with another auction scheduled for December 8.

There are undoubtedly many reasons for this turnaround -- as there seem inevitably to be for every movement in the gold price. I would only note that the reaffirmation of the IMF's intention to adhere to the agreement on sales of its gold removed one uncertainty. We may confidently expect the IMF to continue with its auction program on a regular basis. Auctions of smaller amounts might be held more frequently, but the principles of the IMF's approach, and the volume to be sold in any six or eight-week period, are not at issue, and this fact should be a force for greater stability in the market.

I noted earlier that the official price of gold in the IMF will be eliminated by amendment of the IMF Articles. We have long viewed this as an important symbolic step, a step that is central to demonetization. While elimination of the official gold price will eliminate what has been an effective impediment to official purchases of gold, whether we will actually see a significant volume of transactions in gold between central banks is, in my judgment, extremely doubtful. The system as a whole has evolved too far. The risks of dealing in gold have become too great to make such official transactions likely. A central bank acquiring gold has no assurance that it can be sold at any particular or specified price. This is a risk which central banks may not wish to run with the monetary reserves of their nation.

It is more likely, in my view, that we will see a gradual movement of gold out of official reserves altogether, as countries choose to realize the capital gains on their gold holdings through sales to the market. There will almost surely come a time when governments conclude that it is not fair to their taxpayers to continue to hold gold -- an asset which yields no interest -- when its sale could reduce the national debt and the continuing interest burden. I would stress, however, that I would expect the disposal of government stockpiles of gold to be a gradual process, in large part because holders realize that large portions of the one billion ounces still held in official reserves cannot be sold without significantly affecting the market. Gold sales may take place as individual countries experience an immediate need to sell gold to obtain the foreign exchange with which to pay for essential imports.

Despite the judgment that these agreements are not likely to lead to dramatic changes in official attitudes with respect to gold holdings, important transitional arrangements have been agreed upon by the Group of Ten -- the major gold holding nations -- to assure that gold does not re-emerge as an important monetary instrument while these changes are taking effect. These arrangements provide that participating nations: (1) will not act to peg the price of gold; (2) will agree not to increase the total stock of monetary gold held by their authorities and the IMF; (3) will respect any further conditions governing gold trading to which their central banks may agree; and (4) will report regularly on their gold sales and purchases. The arrangement took effect February 1, 1976, and will be reviewed after two years, and then continued, modified, or terminated. While we need to watch developments carefully, I would hope that such arrangements will not be needed for an extended period.

U.S. Gold Policy and the Market

I would like to turn briefly to the question of how U.S. gold policy relates to the functioning of the gold market.

You will recall that all restrictions on private ownership of gold by U.S. citizens were removed at the end of 1974. Secretary Simon supported the repeal of these restrictions as a "practical step toward our objective of ending the official monetary role of gold so that it may ultimately be treated in all respects like any other commodity," I should stress that moving gold towards a pure commodity status should have advantages for both producers and consumers by allowing the free market to work in the absence of stifling regulations on gold transactions. As the monetary role of gold fades, more countries may follow the U.S. lead in removing restrictions.

The U.S. action, has, I submit, contributed to a more efficient and broader world gold commodity market. The U.S. market centered in New York has made possible a world time chain for gold transactions, running from Europe to the U.S. to the Far East. This has made gold pricing easier and facilitated transactions. The development of an active futures market for gold on the organized commodity exchanges of New York and Chicago has been particularly significant. In an era of fluctuating prices, futures markets serve the valuable function of allowing both producers and users of gold to hedge their operations.

Since the lifting of restrictions on gold holdings by U.S. citizens, the Treasury has auctioned a total of 1.3 million ounces of gold in two separate auctions, one on January 6, 1975 and the other on June 30, 1975. These sales were designed to reduce the need for imports. No further auctions have been held and none is currently scheduled.

Thus far this year U.S. demand for gold for industrial and artistic purposes has been running at an annual rate of about 4 1/2 million ounces. Demand, of course, tends to increase as the economy grows. Domestic production is running at approximately 1.1 million ounces a year and scrap recovery is about 800,000 ounces a year. There is a substantial gap between this supply and industrial consumption. Except to the extent that the Treasury sells from its holdings, this gap, together with any demand for speculative or investment purposes, must be met by imports. In the first 10 months of 1976 we have imported 3.4 million ounces of gold bullion including gold which has been sold out of foreign official accounts at the Federal Reserve Bank of New York.

Treasury policy toward sales is perhaps best expressed in the answer which Secretary Simon gave on February 3, 1976 to a question from Congressman Henry S. Reuss, Chairman of the House Subcommittee on International Economics. The Secretary said:

> "Sales of U.S. gold by the Treasury to date have been related to helping meet net import demand for gold from abroad, and are consistent with our view that the international monetary role of gold should continue to diminish. We have not attempted to enunciate a long-term sales policy, but would expect to continue to conduct sales from time to time to help meet import demand. We will in no way conduct sales in a manner that would 'peg' the market price of gold or that could be construed to have that objective."

In sum, the Treasury favors the increase in gold's status as a commodity, favors the development of a free gold market, and supports official sales of gold in the manner least disruptive to the market. We have no price objective and we strongly oppose the use of official sales for the purpose of controlling the gold price.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE AT 4:25 P.M. December 2, 1976

TREASURY'S 52-WEEK BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for $3,253 million, or thereabouts, of 364-day Treasury bills to be dated December 14, 1976, and to mature December 13, 1977 (CUSIP No. 912793 H7 4). The bills, with a limited exception, will be available in book-entry form only, and will be issued for cash and in exchange for Treasury bills maturing December 14, 1976.

This issue will not provide new money for the Treasury as the maturing issue is outstanding in the amount of $3,253 million, of which $1,607 million is held by the public and $1,646 million is held by Government accounts and the Federal Reserve Banks for themselves and as agents of foreign and international monetary authorities. Additional amounts of the bills may be issued to Federal Reserve Banks as agents of foreign and international monetary authorities. Tenders from Government accounts and the Federal Reserve Banks for themselves and as agents of foreign and international monetary authorities will be accepted at the average price of accepted tenders.

The bills will be issued on a discount basis under competitive and noncompetitive bidding, and at maturity their par amount will be payable without interest. Except for definitive bills in the $100,000 denomination, which will be available only to investors who are able to show that they are required by law or regulation to hold securities in physical form, this series of bills will be issued entirely in book-entry form on the records either of the Federal Reserve Banks and Branches, or of the Department of the Treasury.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20226, up to 1:30 p.m., Eastern Standard time, Wednesday, December 8, 1976. Form PD 4632-1 should be used to submit tenders for bills to be maintained on the book-entry records of the Department of the Treasury.

Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. 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.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon may submit tenders for account of customers, provided the names of the customers are set forth in such tenders. Others will not be permitted to submit tenders except for their own account.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment will be made for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities, for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, or for definitive bills, where authorized. A deposit of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. 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 $500,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids.

Settlement for accepted tenders for bills to be maintained on the records of Federal Reserve Banks and Branches must be made or completed at the Federal Reserve Bank or Branch on December 14, 1976, in cash or other immediately available funds or in Treasury bills maturing December 14, 1976. 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.

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 considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of bills (other than life insurance companies) issued hereunder must include in his Federal income tax return, as ordinary gain or loss, the difference between the price paid for the bills, whether on original issue or on a subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76 and 27-76, and this notice, prescribe the terms of these Treasury bills and govern the conditions of their issue. Tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt. Copies of the circulars will be available on or about December 6 1976.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE 6:00 P.M.
SATURDAY, DECEMBER 4, 1976

REMARKS BY THE HONORABLE WILLIAM E. SIMON
SECRETARY OF THE TREASURY
BEFORE THE
GENERAL ASSEMBLY OF NEW YORK UNIVERSITY
NEW YORK CITY, DECEMBER 4, 1976

Thank you Mr. Ruegger, Mr. Sawhill, Mr. Robinson, Dean Hill, and Mr. Gitlow.

Now that the dust has finally settled after what seemed like the longest political campaign in American history, perhaps we will all begin to learn anew the meaning of the old French saying that "The more things change, the more they remain the same."

The political cast in Washington -- in the White House, in the Congress and in the bureaucracy -- has undergone and will continue to undergo many changes. New faces will replace old ones and new slogans and labels will sweep away the old. But all of this dramatic surface change will be more apparent than real.

For the one thing that will not be swept away is the basic set of problems, challenges, and opportunities facing our country; and, in the last analysis, it will be these factors and the way we and our leaders of both parties react to them -- that will determine America's future.

Precious or not, my days in Government have dwindled down to a few. Under the circumstances it would be pretentious or misleading of me to pretend that I stand before you today as an official spokesman for future government policies. However, since my official mantle always included that of a concerned individual citizen, I feel that I can still speak to you in that private capacity now that my official mantle is little more than food for the moths.

As I said a moment ago, the faces and the rhetoric are changing, but the problems and challenges remain the same. And I am deeply convinced that the key to both our problems and our opportunities as a people lies in the realm of the economy and its interaction with the government.

WS-1202

So today I would like to review with you some of the most important governmental and economic trends in our recent history and, against that backdrop, discuss some of the realistic concerns and goals that all of us share -- in the years ahead.

We begin with a curious paradox. In recent years people have come to ask more of their government than ever before, but, at the same time, and for the very reason that government has been called on to provide so many new and costly services, public confidence in the institution of government has fallen very low indeed. If I may wax Churchillian for a moment: Never before have so many asked so much -- and expected so little -- of government.

When you consider what the country and the government have been through since the 1960's, this seeming enigma begins to make sense.

During the last fifteen years the real output of goods and services has increased 60 percent and the real income of the average American has risen by 50 percent. But despite these remarkable gains the American people are increasingly dissatisfied with the national state of affairs as well as their personal status. Part of this frustration is a healthy refusal to tolerate many real problems that exist. The American drive to improve, to help those less fortunate, to seek even higher personal standards of living is commendable when it leads to a more creative and productive system and increased concern for the needs of others. But there is also an unhealthy aspect in much of the cynicism and negativism that we find in America today. I believe this more ugly mood is the result of the demonstrated failure of collectivist big-government approaches to national problems that promised a great deal but delivered very little. And in my opinion the only cure for such a mood is a higher level of economic intelligence among the people themselves. A free society cannot survive unless we achieve economic literacy. Until we do, a mood of dependence on government will increase and feed upon itself creating still more demands for benefits without recognizing that the bills must be paid -- either directly in current taxes or indirectly through accelerating inflation and economic disruption.

The accumulation of economic distortions must now be faced. The longer we delay the hard adjustment decisions the more difficult and costly the needed solutions will become. And if we delay too long the opportunities to restore stable economic progress may be lost.

Our first major economic and political goal then, must be to sift, weigh and choose among the multitude of conflicting claims to arrive at the greatest long-term benefit for all of our people. In that process the most important factor to be considered is the freedom and dignity of the individual. No matter what material progress occurs the loss of personal freedom and dignity are too great a price to pay. In short, we must decide what kind of economic and political systems will best serve the real long-term interests of the American people.

Let me begin with a brief review of the basic economic issues that will ultimately shape the future not only of the American economy, but of our society as well. The American people must realize that their government's fiscal and monetary policies and the maze of government programs that increasingly intervene in their daily lives are the real issues that will determine their personal welfare:

-- whether or not inflation will be effectively controlled or once again allowed to return to double-digit levels;

-- whether or not capital investment will be adequate to create meaningful jobs for the growing labor force;

-- whether or not government regulation and administrative controls will be changed to meet current economic realities to restore productivity and efficiency;

-- whether or not the United States will provide effective leadership on international monetary, trade and investment issues.

Therefore, in looking to the future the American people should ask this basic question each time the government comes up with a bold new economic policy initiative: Will this action contribute to sustained and orderly economic growth or will it merely perpetuate the familiar stop-and-go patterns of the past -- increased government spending without regard for the chronic deficits and economic and financial disruption created, excessive expansion of the money supply, even more government controls over the private economic and increased intervention in private wage and price decisions.

The proper role of government is to create an environment for sustained and orderly economic growth through its fiscal, monetary, and regulatory policies. The disappointing performance of the U.S. economy during most of the last decade emphasizes the basic need for more stable policies.

In the mid-1960's the United States began an unfortunate series of exaggerated booms and recessions: serious overheating of the economy created severe price pressures; accelerating inflation caused recessions by restricting housing construction, personal spending and business investment; the recessions created unwanted unemployment which wasted resources and caused personal suffering; rising unemployment too often triggered poorly planned and ill-timed government fiscal and monetary policies setting off another round of excessive stimulus leading again to overheating -- inflation -- recession -- unemployment -- and then more government intervention. It is obvious that we must break this deadly and, all to often, self-sustaining political and economic cycle.

There is one basic conclusion we can draw from these experiences: Our desire for economic progress, through improved living standards and employment opportunities, will be frustrated unless we better control the insidious inflation which has destroyed economic stability and today threatens not only our goal of sustained growth but the ultimate survival of all of our basic institutions. When inflation distorts the economic system and destroys the incentives for real improvement the people naturally lose faith. They no longer support the system and society disintegrates. I am convinced that even our uniquely creative and productive society will collapse if we permit the slow but deadly poison of inflation to dominate and undermine our economic health. There is no tradeoff between the goals of price stability and low unemployment as some critics have erroneously claimed. On the contrary, neither one of these goals can be achieved and maintained without the other. There is only one way to increase the output of goods and services and reduce unemployment, and that is to make further progress in reducing inflation.

I feel very strongly about inflation -- so strongly that some critics claim I am obsessed with the subject. Maybe I am -- and perhaps our economy and our country would be in better shape today if a few more of our economic leaders over the past generation shared my obsession. Obsessed or not, I am downright antagonistic toward those who consistently vote for bigger deficits. We must always remember that it is inflation that causes the recessions that so cruelly waste our human and material resources and the tragic unemployment that leaves serious economic and psychological scars long after economic recovery occurs. It is inflation which destroys the purchasing power of our people as they strive -- too often in a losing struggle -- to provide the necessities of food, housing, clothing, transportation, and medical attention and the desired necessities of education, recreation and cultural opportunities.

Inflation is not now, nor has it ever been, the grease that enables the economic machine to progress. Instead, it is the monkey wrench which disrupts the efficient functioning of the system. Inflation should be identified for what it is. The most vicious hoax ever perpetrated for the expedient purposes of a few at the cost of many. And there should be no uncertainty about its devastating impact, particularly for low income families, the elderly dependent upon accumulated financial resources and the majority of working people who do not have the political or economic leverage to beat the system by keeping their incomes rising even more rapidly than inflation. When inflation takes over an economy the people suffer. We must wipe out economic illiteracy that exists on this point above all others. It is time that the full brunt of informed public opinion is brought to bear on the elected officials who ignore this fact.

In general there must be more widespread recognition of the fundamental importance of stable economic growth in the future as the only true foundation for maximum employment opportunities and lower unemployment rates, for a return to our historically low rate of inflation which will protect the purchasing power of <u>all</u> Americans and encourage more capital investment that will provide the permanent and productive jobs that people desire -- for more efficient use of human and material resources and protection of our environment, and for fulfillment of our international responsibilities in monetary, trade and investment policies. Naturally, there are disagreements about how best to achieve these basic goals but I am convinced that a longer-term time horizon must be used.

-- First, the diversity of problems must be recognized to avoid concentrating on a single issue. Inflation, unemployment, declining output, the availability of productive resources, international trade and investment all must be considered simultaneously to create a balanced program for stable economic growth. But the starting point for sustaining economic growth without the boom and recession distortions of the past must be to avoid a return of destructive inflation pressures. From 1890 to 1970 prices in the United States increased at an annual rate of 1.8 percent. From December 1973 to December 1974 prices rose 12.2 percent. It seems so obvious that any long-term solution to our economic problems requires better control of inflation which has distorted the spending and savings decisions of all Americans. Inflation must be clearly recognized for what it is: The greatest threat to the sustained progress of our economy and the personal standard of living of most Americans.

-- Second, government policies must solve more problems than they create. During a period of difficulty it is expedient to respond to strident calls "to do something -- anything to demonstrate political leadership."

But, too often, this naively activist approach is the basic source of the problem -- not the solution. Courage and wisdom are always required to avoid actions offering the illusion of short-term benefits in exchange for further erosion of the free enterprise system. For it is the free enterprise system, not the government, that has served this Nation so well in creating the premier economy of the world and providing the greatest degree of personal opportunities. The conventional wisdom that a few billion dollars of additional government spending somehow makes the difference between success or failure of the entire U.S. economy -- which is rapidly approaching an annual level of output of two trillion dollars -- has always amazed me. There is an important role for governments in protecting certain basic public interests but the claim that governments can or should control the economy is totally false. We would all be better off if government officials would recognize that the real creativity and productivity of American depends upon the private sector.

-- Third, and most important of all, there must be a proper balance in the shared responsibilities of the private and public sectors. This is a difficult assignment because of the confusion and pessimistic appraisals of the future caused by the political and economic shocks that have occured. Maintaining and improving the creativity and productivity of the U.S. economic system against the attacks of critics who favor a big government solution for the problems of society has become our greatest challenge. The simplistic cure of having government spend ever increasing amounts of borrowed money has not solved many of our problems but on the contrary it has created serious economic distortions that will continue long into the future. We now have a Federal Government that is trying to do more than its resources will permit, to do many thing that it cannot do very well, to do some things that it should never do at all, and to do all of these things at the same time. As a result, we now have more government than we want, more than we need, and more than we can afford. Nevertheless, much of the current political rhetoric continues to claim that we aren't spending enough, aren't creating enough new government programs, and aren't pushing enough panic buttons. Despite the unmatched accomplishments of the U.S. economy these critics attack the free enterprise system and demand comprehensive governmental control over economic planning for the allocation of our natural resources -- the rationing of capital to selected industries -- guaranteed government jobs for all who want them -- increased control over private economic activities -- even a return to the counterproductive wage and price controls that have always failed. Although the American free enterprise system feeds, clothes and houses our people more effectively than any other system in the world, provides the real basis for all of our public services and most importantly is fundamental to our individual freedoms, it is increasingly subject to criticism from those who seem to favor turning to less efficient approaches which would waste our human and material resources and eventually erode our economic progress and political freedoms.

Part of the problem is a matter of image. Those who support increased government spending and pervasive controls over our daily lives are often perceived as being more concerned and socially progressive. Those who allegedly "care more" are given considerable attention when they call for more spending to solve the unmet needs of society even though the growth of big government has become a large part of the problem and not the solution it is alleged to be. At the same time, those who favor the free enterprise system too often fall back on simplistic slogans and cliches that lack humane appeal. Worst of all, many businessmen who come to Washington, seem to want to surrender their existing freedoms in exchange for protection from the competition that has made our system so dynamic.

It is now time -- in fact the need is long overdue -- for those who believe in the free enterprise system to more effectively promote its basic values. America has become the world's premier economy because it provides basic incentives to its people to work hard and to be creative. To the individual family this approach leads to a higher standard of living. To the business firm it means increased markets and larger profits. To our government it means increased effectiveness and public support.

In short, too many Americans -- especially those who have known only the affluent society -- are unaware of the real source of economic growth in our country. The material abundance, the freedoms of choice, the opportunities for meaningful work are all largely the result of the creativity and productivity of our free and competitive economic system. This is the crucial theme that must be communicated to all Americans until they understand it. The American economy is the well spring of our Nation's basic strength in every sphere -- political, social, military and economic. It is the source of our present abundance and the basis of our hopes for a better future. We can solve our recognized problems best by preserving and improving -- by strengthening rather than weakening -- our uniquely productive system. And in so doing we will preserve our other freedoms that have made America so great.

The United States and every other nation, must decide between economic policies that will create the proper environment for sustained stable economic growth or the return to stop-and-go experiments with stimulus and restraint that have seriously disrupted their economies and led to inflation, unemployment and lost output. After experiencing the worst inflation in our peacetime history and the worst recession in more than a generation, it is crucial that we choose policies that will maintain the political, social and economic balance necessary to preserve our great American republic and the private enterprise system that is at its heart the system of individual and economic freedom that has given us the material, economic and social wellbeing we enjoy today.

Yet we hear misleading political rhetoric that we can achieve our basic economic goals without making the necessary sacrifices required to produce and pay for the desired goods and services. Our magnificent country is capable of achieving any worthy goal it identifies. But we <u>must</u> face up to the economic realities -- particularly the obvious point that goods and services cannot be distributed to the consuming public unless they are first produced. We have the human and material resources necessary to operate our open and competitive economic system to achieve our goals if we will only create the proper environment. How well we make these basic decisions will ultimately determine what future historians will write about America -- and the kind of country our children and grandchildren inherit.

But to find the answers... we must begin with the correct questions. What has made this a great nation? What has made people throughout the world talk about the American Dream?

Has it been the land and our natural resources? We have certainly been blessed with an abundance of resources. But in the Soviet Union we see a land mass that is much larger than our own and one which is equally well-endowed.

Yet, the Soviet system provides much less for the people. They must turn to the United States for the grain they need to feed their own people and for our technology and capital.

Does our strength depend only on the qualities of our people? We are clearly blessed with one of the largest and most talented populations that the world has ever known. But in China today we see a population that is four times as large as our own, whose civilization at one time was developed far in advance of the rest of the world. Yet their present material standard of living and personal freedoms fall woefully short of our own.

So while our land, resources and people have been essential parts of the American story, there is a more important factor that is too often missing in other countries -- the factor that is the real key to America's progress. That crucial factor has been our national commitment to liberty and individual dignity.

For two hundred years people have streamed to our shores in search of various freedoms -- freedom of religion, freedom of speech, freedom of the press, freedom of assembly, and freedom to seek their fortunes without fear or favor of the government. All of these freedoms are planted firmly in our Constitution. But they have become such a familiar part of our lives that I wonder whether we now take them too much for granted.

There is nothing artificial about freedom, nor is there any guarantee of its permanency. As Dwight Eisenhower once said, "Freedom has its life in the hearts, the actions, and the spirits of men, and so it must be daily earned and refreshed -- else like a flower cut from its life-giving roots, it will wither and die."

There are many ways this can happen, some of them very slow and subtle. For example, there has been an accelerating trend toward collectivist policies in the United States as people have been persuaded that the problems of our society have become so large that individuals can no longer cope with them. Many Americans now expect the government to assume responsibility for solving their problems and to do things for them that they once did for themselves. Government has been gradually cast into the role of trying to solve all the difficult challenges of modern life.

That trend began to accelerate in the 1960's as politicians and theorists promised the rapid solution of complex political, economic and social problems and the end of economic cycles based on the clever manipulation of government policies. They failed to note that resources are always limited, even in a Nation as affluent as ours. And so today the inflated expectations and broken promises of the past have left us with residue of disillusionment. Many young people are skeptical about our basic institutions and I can't say that I blame them.

International problems, the energy crisis, disappointing harvests, excessive government regulations, wage and price controls and thousands of other specific problems have contributed significantly to unsatisfactory levels of inflation and unemployment. But the steady underlying momentum has been caused by the excessive economic stimulus provided by the Federal Government for more than a decade.

For Example:

-- A quadrupling of the Federal budget in just 15 years;

-- A string of 16 budget deficits in 17 years;

-- And a doubling of the national debt in just 10 years time.

The greatest irony of these misguided policies is that they were based on the mistaken notion that they would specifically help the poor, the elderly, the sick and the disadvantaged. Yet when these stop-and-go government policies trigger inflation and unemployment, who gets hurt the most? The very same people the politicians claimed they were trying to help -- the poor, the elderly, the sick and the disadvantaged.

Even more fundamentally, the last fifteen years have seen an acceleration of the trend toward Big Government and the diminishing of economic and personal freedoms in the United States. The Federal Government has now become the dominant force in our society. It is the biggest single employer, the biggest consumer, and the biggest borrower. Forty years ago, total government spending comprised approximately 10 percent of the gross national product; in 1976 that figure will exceed 35 percent. If the government spending trends of the last two decades continue, the total government share of economic activity in the United States will be approaching 60 percent by the year 2000. If the government exercises such a dominating influence in the economy, it will also control many of the personal decisions of its citizens. For history shows that when economic freedom disappears personal and political freedoms do not long survive. The inextricable relationship between economic freedom and personal freedom is often overlooked by those who constantly seek to expand the powers of government, but it is plain to see in many countries around the world where these freedoms have been lost.

Unfortunately, there is no convenient scapegoat to blame our problems on. As modern governments have usurped the power to increasingly control our daily lives they have done so with the best of intentions -- and the sincere belief that they are the proper authority to determine and then implement the ideals of society. But in the process governments have sacrificed individual freedoms for a collective system of rules needed to impose their view of what is best for each of us. This behavior is merely a reflection of what they honestly believe the people want. It is not "the government" that we should blame -- that is a simplistic excuse -- but the institutions of society, including the colleges and universities, that have created an environment in which equality of status is mistaken for equality of opportunity and security -- and in which a false sense of well being, is exchanged for personal freedom. As a result there is a growing mood of frustration as public skepticism increases about our ability to handle the problems of the future. If this trend continues, most of the freedoms that we cherish will not survive, for personal, political and economic freedoms are all intertwined and cannot exist alone. The great historian Gibbon noted this in writing of ancient Athens:

> In the end, more than they wanted freedom, they wanted security. They wanted a comfortable life and they lost it all -- security, comfort, and freedom. When the Athenians finally wanted not to give to society but for society to give to them, when the freedom they wished for most was freedom from responsibility, then Athens ceased to be free.

Our basic challenge then is to determine how much personal freedom, if any, we are willing to give up in seeking the so-called collectivist security. It is certainly not easy to live with the uncertainties that exist in a free society but the real personal benefits created are far superior to any other system. It is this heritage of personal freedom that has made America a land blessed above all others. To protect this remarkable privilege is a goal worthy of our greatest personal and institutional commitment.

Two hundred years ago, Americans had a choice to make: servitude or freedom. Our ancestors chose freedom and fought long and hard to win it.

On the threshold of our third century we again face an important choice: between greater governmental control of our lives or preserving the system which has given us the greatest prosperity, the highest standard of living and, most importantly, the greatest individual freedom ever enjoyed in history.

Government can change the law, but it cannot change human nature. Government can impede or ease the way for individual initiative. But only the individual himself can create, can change, can brave new horizons.

More than anywhere else, that is what happens here in America. It happens through universities like this, and in labs and libraries and civic groups and companies across this great land of ours where, every day, individuals with a better idea are solving problems and creating new opportunities.

What we call the American experience -- the American story -- is the sum total of those individual contributions. And each of us is a small but important part of it. That, more than any great document or charismatic leader, is what sums up the true meaning and purpose of America. And that is what we must preserve.

Thank you.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE December 2, 1976

BOOK-ENTRY SECURITIES TO REPLACE ENGRAVED CERTIFICATES IN DECEMBER 14 ISSUE OF 52-WEEK TREASURY BILLS

In a separate announcement today, the Treasury is inviting tenders for the first series of 52-week Treasury bills to be issued, with a limited exception, in book-entry form only. The auction will be held on December 8, 1976.

During recent months, the Treasury and the Federal Reserve Banks have made considerable efforts to acquaint investors and financial institutions with details of the planned conversion to an exclusive book-entry system for Treasury securities. A number of public meetings and special briefings were held in various parts of the country, and the reactions were such as to convince the Treasury that partial implementation could begin.

The Treasury has made an exception to its exclusive book-entry offering of 52-week bills for investors who are still required by law or regulation to hold securities in physical form. Definitive bills in the $100,000 denomination will be available to such investors for a limited period of time.

Although the Treasury will not initially charge any fee for establishing or maintaining book-entry accounts on its records, it reserves the right to impose charges at a later date for services provided after original issue on future Treasury offerings of book-entry securities.

The Treasury plans to convert the regular weekly issuance of 26-week bills to full book-entry form beginning in early June 1977, with the conversion of 13-week bills to follow in September 1977.

A notice of proposed rule making on the Treasury regulations which are to govern the new book-entry system was published in the Federal Register on November 1, 1976. Publication of the final regulations, which are not expected to differ materially from the proposed rules, is expected shortly.

WS-1203

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Department of the TREASURY NEWS
OFFICE OF REVENUE SHARING
WASHINGTON, D.C. 20226
TELEPHONE 634-5248

FOR IMMEDIATE RELEASE
FRIDAY, DECEMBER 3, 1976
CONTACT: PRISCILLA CRANE (202) 634-5248

ANTIRECESSION PAYMENTS MADE TO 1,828 LOCAL GOVERNMENTS IN FIVE STATES

Local units of general government in the States of Connecticut, Kentucky, Vermont, West Virginia and Wisconsin were sent checks representing first and second quarter payments of antirecession fiscal assistance money by the Treasury Department's Office of Revenue Sharing today.

A total of $8,423,696 is being distributed to 1,828 units of government within these States.

Funds for identifiable units within these States which have unemployment rates generated for purposes of the CETA manpower program and all eligible local governments within other States were paid last month. However, the governments of the States whose local governments are being sent checks today had requested that the allocations of funds be based on unemployment rates certified by State employment security agencies, rather than on figures supplied by the Bureau of Labor Statistics of the U. S. Department of Labor.

Title II of the Public Works Employment Act of 1976 (P.L. 94-369) which authorizes the antirecession fiscal assistance program permits States to submit data certified by their State employment security agencies within certain time limits.

Today's issuance of funds brings to $540,159,329 the total amount of money distributed to 19,505 units of government thus far under the new antirecession program. The law authorizes distribution of a total of $1.25 billion over a five-quarter period, from July 1, 1976 through September 30, 1980. The money is allocated according to a formula in the law which relates individual governments' unemployment rates to their Federal fiscal year 1976 general revenue sharing allocations.

WS-1204

The third quarterly payment of antirecession funds will be made in January 1977.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

Contact: Linda F. Potts
Extension: 2951

FOR IMMEDIATE RELEASE

December 3, 1976

TREASURY DEPARTMENT ANNOUNCES
DISCONTINUANCE OF ANTIDUMPING INVESTIGATION
ON AUTOMOBILE BODY DIES FROM JAPAN

The Treasury Department announced today the final discontinuance of an antidumping investigation on imports of automobile body dies from Japan. Notice of this action will appear in the Federal Register of December 6, 1976.

Price comparisons on almost 80 percent of imports of the subject merchandise from Japan have yielded minimal margins. The predominant exporter has submitted a written statement of assurances that future sales to the United States will be made at not less than fair value.

Imports of the subject merchandise from Japan during the period January through September 1976 were valued at roughly $2.5 million.

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WS-1205

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE

December 6, 1976

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $2,300 million of 13-week Treasury bills and for $3,400 million of 26-week Treasury bills, both series to be issued on December 9, 1976, were opened at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing March 10, 1977			26-week bills maturing June 9, 1977		
	Price	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/
High	98.899	4.356%	4.47%	97.721	4.508%	4.68%
Low	98.889	4.395%	4.51%	97.716	4.518%	4.69%
Average	98.892	4.383%	4.49%	97.717	4.516%	4.69%

Tenders at the low price for the 13-week bills were allotted 21%.
Tenders at the low price for the 26-week bills were allotted 90%.

TOTAL TENDERS RECEIVED AND ACCEPTED BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted	Received	Accepted
Boston	$ 17,995,000	$ 17,995,000	$ 46,565,000	$ 6,565,000
New York	3,722,610,000	1,849,310,000	5,582,135,000	2,706,885,000
Philadelphia	23,330,000	22,115,000	5,985,000	5,985,000
Cleveland	29,020,000	28,420,000	212,255,000	9,865,000
Richmond	19,055,000	14,055,000	59,930,000	6,930,000
Atlanta	29,330,000	28,330,000	20,840,000	15,140,000
Chicago	213,885,000	88,035,000	342,745,000	16,375,000
St. Louis	54,505,000	33,505,000	59,750,000	14,150,000
Minneapolis	31,715,000	16,715,000	48,500,000	5,500,000
Kansas City	27,930,000	27,430,000	14,195,000	14,195,000
Dallas	26,265,000	15,315,000	19,560,000	13,560,000
San Francisco	370,570,000	160,600,000	954,005,000	587,505,000
Treasury	- - -	- - -	- - -	- - -
TOTALS	$4,566,210,000	$2,301,825,000 a/	$7,366,465,000	$3,402,655,000 b/

a/Includes $318,025,000 noncompetitive tenders from the public.
b/Includes $144,040,000 noncompetitive tenders from the public.
1/Equivalent coupon-issue yield.

WS-1206

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

Contact: Carolyn M. Johnston
(202) 634-5377

FOR IMMEDIATE RELEASE DECEMBER 6, 1976

SHELDON W. FANTLE NAMED NEW SAVINGS BONDS CHAIRMAN FOR DISTRICT OF COLUMBIA

Mr. Sheldon W. Fantle, President and Chief Executive Office of Peoples Drug Stores, Inc., has been appointed Volunteer Chairman for the Savings Bonds Program in the District of Columbia by Secretary of the Treasury William E. Simon. The appointment is effective immediately.

Mr. Fantle will head a committee of business, banking, labor, government and media leaders who, in cooperation with the U. S. Savings Bonds Division, will assist in promoting bond sales in the area.

Mr. Fantle is a graduate of Ohio State University and the University of Cincinnati. He joined the Schuman Drug Company in Canton, Ohio as a pharmacist in 1951 and became Executive Vice President and General Manager in 1956. In 1970 he became President and Chief Executive Officer of the Lane Drug Company, Toledo, Ohio and in 1973 he was promoted to the position of President of the Lane Drug Corporation. In 1975 he assumed his present responsibilities with Peoples Drug Stores, Inc.

Mr. Fantle is an active participant in civic and association work. He has previously served as the U. S. Savings Bonds Geographic Chairman for the District of Columbia and as a member of the U. S. Industrial Payroll Savings Committee. He is a board member of the Washington Board of Trade and National Association of Chain Drug Stores, and has served as chairman of the Health, Education and Welfare Commission of the Ohio State Pharmaceutical Association. He is also a member of the Board of Directors of the Washington Hospital Center, of the Professional Football Hall of Fame, Canton, Ohio and of Siena Heights College, Adrian, Michigan.

WS-1207

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE December 6, 1976

GENERAL COUNSEL RICHARD R. ALBRECHT
RESIGNS TO JOIN BOEING CORPORATION

Treasury Secretary William E. Simon today announced the resignation of Richard R. Albrecht as General Counsel of the Treasury Department. Mr. Albrecht will join the Boeing Corporation as Vice President-Counsel. His resignation was effective December 2, 1976.

Upon making the announcement, Secretary Simon cited Mr. Albrecht's "distinguished service to the Nation" through "exceptional service rendered to the Treasury and to the United States during more than two years as General Counsel."

"Although your departure from the government is a loss, I welcome this opportunity to express my appreciation for your many significant contributions in providing advice and counsel to the Treasury Department consonant with the highest traditions of the legal profession," Secretary Simon said.

A native of Hartley, Iowa, Mr. Albrecht is married to the former Constance Berg. They have four sons.

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WS-1208

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE AT 4:00 P.M. December 7, 1976

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $5,300 million, or thereabouts, to be issued December 16, 1976, as follows:

91-day bills (to maturity date) in the amount of $2,100 million, or thereabouts, representing an additional amount of bills dated September 16, 1976, and to mature March 17, 1977 (CUSIP No. 912793 F2 7), originally issued in the amount of $3,103 million, the additional and original bills to be freely interchangeable.

182-day bills, for $3,200 million, or thereabouts, to be dated December 16, 1976, and to mature June 16, 1977 (CUSIP No. 912793 G7 5).

The bills will be issued for cash and in exchange for Treasury bills maturing December 16, 1976, outstanding in the amount of $5,307 million, of which Government accounts and Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold $2,631 million. These accounts may exchange bills they hold for the bills now being offered at the average prices of accepted tenders.

The bills will be issued on a discount basis under competitive and non-competitive bidding, and at maturity their face amount will be payable without interest. They will be issued in bearer form in denominations of $10,000, $15,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value), and in book-entry form to designated bidders.

Tenders will be received at Federal Reserve Banks and Branches and from individuals at the Bureau of the Public Debt, Washington, D. C. 20226, up to 1:30 p.m., Eastern Standard time, Monday, December 13, 1976. Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. 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.

Banking institutions and dealers who make primary markets in Government

securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others 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 bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. 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 $500,000 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 or Branch or at the Bureau of the Public Debt on December 16, 1976, in cash or other immediately available funds or in a like face amount of Treasury bills maturing December 16, 1976. 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.

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 considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of bills (other than life insurance companies) issued hereunder must include in his Federal income tax return, as ordinary gain or loss, the difference between the price paid for the 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.

Department of the Treasury 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, or from the Bureau of the Public Debt.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE December 7, 1976

RESULTS OF TREASURY'S 132-DAY BILL AUCTION

Tenders for $2,000 million of 132-day Treasury bills to be issued on December 10, 1976, and to mature April 21, 1977, were opened at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Price	Discount Rate	Investment Rate (Equivalent Coupon-Issue Yield)
High -	98.379	4.421%	4.56%
Low -	98.360	4.473%	4.61%
Average -	98.369	4.448%	4.58%

Tenders at the low price were allotted 35%.

TOTAL TENDERS RECEIVED AND ACCEPTED
BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted
Boston	$ 8,900,000	$ 8,900,000
New York	3,594,115,000	1,546,365,000
Philadelphia	50,385,000	50,385,000
Cleveland	125,670,000	75,670,000
Richmond	16,010,000	6,010,000
Atlanta	2,100,000	2,100,000
Chicago	387,385,000	120,635,000
St. Louis	31,375,000	15,375,000
Minneapolis	7,350,000	7,350,000
Kansas City	22,985,000	19,985,000
Dallas	15,680,000	10,680,000
San Francisco	432,685,000	136,885,000
Treasury	40,000	40,000
TOTAL	$4,694,680,000	$2,000,380,000 1/

1/ Includes $27,675,000 noncompetitive tenders.

WS-1210

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE December 7, 1976

Secretary Simon, following a meeting with Italian Prime Minister Andreotti, expressed his judgment that the program that the Prime Minister has designed will lead to the stabilization and early restoration of orderly growth of the Italian economy. In particular he noted that the Italian Government has not only created a well designed program, but has also made extensive progress toward the implementation of that program. Secretary Simon said that he looks forward to the completion of successful negotiations with the International Monetary Fund concerning economic and financing arrangements for Italy.

Secretary Simon also commented on the importance of the development in recent months of a broader consensus among the Italian people in support of the Government's approach to the economic situation.

Secretary Simon said he and his colleagues would in the weeks ahead be exploring ways in which U.S. support could be made tangible in order to assist Italy during the implementation of its economic program.

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WS-1211

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE

REMARKS BY THE HONORABLE WILLIAM E. SIMON
SECRETARY OF THE TREASURY
BEFORE THE
RELIGIOUS HERITAGE FOUNDATION
DECEMBER 7, 1976

It is a pleasure and an honor for me to address this breakfast meeting of the Religious Heritage Foundation. As Americans many of us tend to think of our heritage mainly in political terms -- basic freedoms and rights that most other peoples around the world have never been able to achieve. But underlying our political freedoms - and providing a moral basis without which they would be meaningless - lies our religious heritage. Without our Judeo-Christian spiritual tradition, we could never have evolved a truly democratic heritage. For it is the soul of man that yearns for freedom, and, as history has shown us time and again, societies that deny existence of man's soul also end by denying man his freedom.

Without the moral anchor of a spiritual heritage, freedom soon degenerates into anarchy and anarchy soon yields to tyranny -- imposed order and restraint from above to replace the lost self-restraint and respect for others that only a sound moral and religious heritage can teach.

What applies generally to political freedom applies even more specifically to economic freedom. A free market place deprived of moral and ethical values soon degenerates into a jungle. And when the brutality and the chaos of the jungle become unbearable, people ultimately resort to government control. Inevitably, they opt for order over anarchy even when the order is brutal, arbitrary and oppressive. The freedom they once cherished is then lost. But, all to often, that freedom had already been distorted beyond recognition once opportunism got the better of ethics in the public forum and the public marketplace.

In our two hundred years as a nation, we have managed to preserve both our religious heritage and our freedoms. We have achieved the greatest prosperity and the highest standard of living known to man and, at the same time, we have also created a democratic society that has grown freer

WS-1212

with each succeeding generation. To me, this is no coincidence -- and it underscores the importance of organizations like yours.

Because I feel so strongly about the mission of the Religious Heritage Foundation, I was particularly gratified to learn that last night you presented an award to Mr. Ivan Hill of American Viewpoint. A year ago, Ivan Hill and I met for the first time and he told me about an exciting new project -- a book on ethics and economic freedom. I was immediately impressed with the timeliness and importance of the theme and I was honored when Ivan invited me to contribute the concluding chapter.

The result of Ivan's labors is an outstanding book, The Ethical Basis of Economic Freedom and, even though I am one of the 21 contributors to it, I feel that I can recommend it to you in good conscience. I can think of no other work that so exhaustively and comprehensively examines the link between ethics and economic freedom -- and I can think of no time in our history when such a book has been more needed than the present.

For, make no mistake about it, free enterprise is in trouble. Our system is under attack today as never before. And much of the trouble is of our own making. Like many self-inflicted illnesses, the malaise affecting free enterprise can also be self-cured. But the cure will not happen until and unless we muster a strong ethical revival in the private sector.

In the last few months, in the heat of a national political campaign, this sort of long term consideration tended to be overlooked. But now that the dust has finally settled on what often seemed like the longest, most tedious election race in our history, it is time for us to focus on the real issues rather than the rhetorical ones.

The political cast in Washington -- in the White House, in the Congress and in the bureaucracy -- has undergone and will continue to undergo many changes. New faces will replace old ones and new slogans and labels will sweep away the old. But all of this dramatic surface change will be more apparent than real. As the old French saying puts it, "The more things change, the more they remain the same." For the one thing that will not be swept away is the basic set of problems, challenges and opportunities facing our country; and, in the last analysis, it will be these factors, and the way we react to them, that will determine America's future.

We already know from painful experience that bigger, more costly government is not the answer to our problems. Yet we also know that, time and again, unless the private sector can come up with solutions of its own, the people and the politicians will be stampeded into bigger and bigger doses of government spending and government controls as a desparate last resort to social and economic ills.

Bigger government isn't the solution -- it's actually the problem. But, like some of the dubious patent medicines of the last century that contained liberal doses of alcohol and laudanum, it can become habit forming.

It is a historic fact that only a better functioning, more honest and efficient private sector can create the jobs, the opportunities and the new technical breakthroughs needed to build a better society. We must reduce the explosive growth of government, the increasing shackles of government regulation and the ever heavier tax burden on working Americans. To do this, however, we must first restore the confidence of the American people in the free enterprise mechanism that has been the foundation of our progress and our prosperity from the start.

But the American people will not believe in the system until their faith is restored in the men and the mores behind the corporate labels -- in the fundamental morals and ethics of America's business leaders.

And before we can convince the general public of the efficacy of the private sector we must re-convince ourselves and take a long, hard look at the moral as well as the material balance sheet.

Too many within the ranks of the private sector have lost sight of the moral side of capitalism. And too many think of rigorous ethical standards as a costly luxury rather than an indispensible part of a healthy free economy.

This is nothing short of folly. As that wily and eminently practical old observer of human nature, Benjamin Franklin once pointed out, "If the rascals knew the advantages of virtue, they would become honest men out of rascality." In the long run, honesty is not only the best business policy but the <u>only</u> one compatible with a free market and open, honest competition.

Corruption, whether it involves bribes to secure government contracts overseas, illegal contributions to political candidates here at home, or any other form of graft, payola or fleecing of the customer, hampers the efficient functioning of the marketplace. It results in higher prices, lessened responsiveness to the consumer, and lower quality of goods and services. Even worse, it also adds to the subtle poisoning of public confidence in all businesses and businessmen, not just the tiny dishonest minority.

And public confidence - the trust of men and women in each other and in their social institutions -- is the glue that holds a civilized society together. History teaches us that no free society or free economy can long survive without such trust, and that trust must be founded on an ethical base. It is only through a shared moral foundation -- a set of binding ground rules for fair, decent conduct -- that free associations, be they social, diplomatic or commercial, can flourish and endure.

The real question facing the American business community today is not whether it can "afford" stronger ethical standards, but how much longer it can go on without them.

In our era, when the main political struggle is between controlled societies and free ones (and, on the economic front, between controlled economies and free ones), nothing is more vital to the survival of our economic way of life than a rigorous free enterprise ethic and business leaders with the courage, the vision and the energy to stand up for it.

No one is more aware of this than the opponents of free enterprise. They know full well that their systems have never provided a comparable level of abundance and shared prosperity so they long ago realized that the only way to undermine free enterprise is from within. The foes of free enterprise cannot destroy it -- but its own practitioners, if they lack foresight and responsibility, can lead it down the path to suicide.

In August of 1971, just a few months before he was appointed to the Supreme Court, one of our country's most gifted legal thinkers turned his attention to the problems facing the American Free Enterprise System. In a confidential memorandum to the U.S. Chamber of Commerce Lewis F. Powell warned that "business and the enterprise system are in deep trouble, and the hour is late.

"No thoughtful person can question that the American economic system is under broad attack," Justice Powell wrote. "This varies in scope, intensity, in the techniques employed and in the level of visibility.

"There always have been some who opposed the American system, and preferred socialism or some form of statism (communism or fascism). Also there always have been critics of the system, whose criticism has been wholesome and constructive so long as the objective was to improve rather than to subvert or destroy.

"But what now concerns us is quite new in the history of America. We are not dealing with sporadic or isolated attacks from a relatively few extremists or even from the minority socialist cadre. Rather, the assault on the enterprise system is broadly based and consistently pursued. It is gaining momentum and converts."

Justice Powell's memorandum was subsequently published in its entirety in the National Chamber's Washington Report and I would urge any of you who have not yet seen it to obtain a copy. In a nutshell, Justice Powell traces the attack on our economic system to its basic source - vocal and often unanswered minorities in the educational community who in turn produce crop after crop of graduates imbued with an anticapitalist bias which they then reflected in teaching, literature, the clergy, the media and every other phase of society.

But the problem is not really the attackers, as Justice Powell points out. The problem is the spinelessness and apathy of the business community which has ignored this problem for too long and has failed miserably to get its side of the story across to the American people, especially young Americans.

Justice Powell goes on to list a series of thoughtful suggestions to remedy this imbalance -- activities the business community can undertake on the campus, in the media, in the publishing world, and in the courtroom -- and I am happy to say that the Chamber and many individual business leaders have begun to act on some of them.

But before the business community as a whole can make adequate progress on this front, it must come to grips with itself. There are simply too many gutless wonders hiding in corporate executive suites -- people concerned only with next year's profits when they should be worried about the fate of the next generation and beyond; people afraid of being attacked and afraid of standing up to defend the system that has given them so much; people who talk a good flight but run for government subsidized cover everytime an economic storm cloud appears on the horizon; people more interested in a little temporary peace and quiet than in the kind of world their children will inherit.

Before we can expect others to believe in the system, we must believe in it ourselves, and this belief must be translated into clear, tangible actions that demonstrate a strong sense of ethics that is not only real but clearly visible to the public.

The need for statesmanship in American business today is every bit as great as the need for statemanship in our public life. And unless this need is filled soon, our free economic system may perish.

What greater irony -- what greater tragedy -- could befall our children and our children's children than to lose the key to America's unequalled freedom and abundance?

The private sector produces the food we eat, the goods we use, the homes we live in. It is the source of five out of every six jobs in America, and it provides directly and indirectly almost all the resources for the rest of the jobs in our all-too-rapidly expanding public sector. It is the foundation for defense security for ourselves and most of the free world. It has been, and will continue to be, the difference between life and death for countless undernourished people around the globe.

It is the productive base that pays for government spending to aid the elderly, the jobless, the poor, the dependent, and the disabled. Indeed, far from being the inhuman caricature painted by so many political demagogues, the American private sector is in reality the mightiest engine for social progress and individual improvement ever created.

It is no accident or blind fate that has made America so rich and abundant a land. You can't legislate inventiveness or prosperity; we have no more born geniuses or natural inventors and industrialists than any other country. But we do have a free system in a world where many other countries are not free. And, through it, we encourage the talent that lies within individuals in a way that most other societies have failed to do.

The result has been not just profits for the few, but a better and freer life for the many. Isn't that the acid test -- the bottom line -- of so much of the idealogical argument and speculation going on today? Compare the systems -- ours works. And, in large measure, it works because of people like you gathered here this morning - people who believe in the moral value of a way of life that is uniquely American.

My time at the Treasury will soon be over. But leaving the Treasury does not mean abandoning my deep-seated concerns and translating them into personal action.

I don't regret a moment of the time I have spent in Government. It's been a very rich and rewarding experience. If I have tilted at a few windmills, I think I have also helped to fight a few giants - double digit inflation, the energy crisis and the political panic mentality that cries out for more controls and tampering with the economy instead of allowing the enormous self-correcting mechanisms of the market place to take effect.

But the more I have seen of government, the more I recognize the limits of what it can do <u>for</u> people -- as opposed to what it can do <u>to</u> them.

Government can change the law, but it cannot change human nature. Government can impede or ease the way for individual initiative. But only the individual himself can create, can change, can brave new horizons.

More than anywhere else, that is what happens here in America. It happens through organizations like this, and in schools and labs and libraries and civic groups across this great land of ours where, every day, individuals with a better idea and a moral commitment to the system are solving problems and creating new opportunities.

What we call the American experience - the American story -- is the sum total of those individual contributions. And each of us is a small but important part of it. That, more than any great document of charismatic leader, is what sums up the true meaning and purpose of America. And that is what we must preserve.

Thank You.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

Contact: Robert Standard
Extension: 2323
December 8, 1976

FOR IMMEDIATE RELEASE

TREASURY ANNOUNCES
COUNTERVAILING DUTY INVESTIGATION
AGAINST IMPORTS OF CORDAGE OF
MAN-MADE FIBER FROM KOREA

Under Secretary of the Treasury Jerry Thomas announced today a formal notice of receipt and initiation of an investigation of imports of cordage of man-made fibers from the Republic of Korea. Announcement of this act will be published in the Federal Register of December 9, 1976.

Under the U.S. Countervailing Duty Law, the Secretary of the Treasury is required to assess an additional (countervailing) duty equal to the amount of the bounty or grant that has been found to be paid or bestowed on the imported merchandise. The man-made fiber cordage specified in the petition is classifiable under item 316.6020 of the Tariff Schedules of the United States. This action is taken pursuant to allegations by a petitioner that the Korean Government is bestowing a variety of subsidies on the manufacture and exportation of cordage. A preliminary determination as to the existence or non-existence of a bounty or grant must be made by no later than April 28, 1977. A final determination must be issued no later than October 28, 1977.

Imports of cordage in 1975 were approximately $100,000 and $200,000 during the first seven months of 1976.

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WS-1213

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE December 8, 1976

RESULTS OF TREASURY'S 52-WEEK BILL AUCTION

Tenders for $3,253 million of 52-week Treasury bills to be dated December 14, 1976, and to mature December 13, 1977, were accepted at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS: (Excepting 1 tender of $500,000)

	Price	Discount Rate	Investment Rate (Equivalent Coupon-Issue Yield)
High -	95.258	4.690%	4.93%
Low -	95.218	4.729%	4.97%
Average -	95.240	4.708%	4.95%

Tenders at the low price were allotted 6%.

TOTAL TENDERS RECEIVED AND ACCEPTED
BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted
Boston	$ 10,135,000	$ 3,135,000
New York	5,599,555,000	2,681,975,000
Philadelphia	90,735,000	90,735,000
Cleveland	170,865,000	70,865,000
Richmond	86,380,000	74,860,000
Atlanta	2,625,000	2,325,000
Chicago	305,335,000	145,535,000
St. Louis	43,550,000	17,050,000
Minneapolis	66,240,000	66,240,000
Kansas City	6,845,000	3,845,000
Dallas	18,335,000	12,835,000
San Francisco	287,410,000	83,910,000
Treasury	- - -	- - -
TOTAL	$6,688,010,000	$3,253,310,000

The $3,253 million of accepted tenders includes $ 69 million of noncompetitive tenders from the public and $ 999 million of tenders from Federal Reserve Banks for themselves and as agents of foreign and international monetary authorities accepted at the average price.

An additional $251 million of the bills will be issued to Federal Reserve Banks as agents of foreign and international monetary authorities for new cash.

WS-1214

federal financing bank NEWS
WASHINGTON, D.C. 20220
Press inquiries: 202-964-2615

FOR IMMEDIATE RELEASE

December 9, 1976

SUMMARY OF LENDING ACTIVITY

November 1 - November 15, 1976

Federal Financing Bank lending activity for the period November 1 through November 15, 1976, was announced as follows by Roland H. Cook, Secretary:

On November 1, the FFB made an advance to the Chicago, Rock Island and Pacific Railroad Company in the amount of $2,471,800. The loan matures June 21, 1991, and bears interest at a rate of 7.785%. The loan is guaranteed by the Department of Transportation.

The National Railroad Passenger Service (Amtrak) made the following drawings against Note #7:

Date	Amount	Maturity	Interest Rate
11/1	$15,000,000	12/31/76	5.099%
11/4	10,000,000	12/31/76	5.020%
11/12	5,000,000	12/31/76	5.144%

On November 15, Amtrak rolled over Note #8 in the amount of $5 million. The new maturity of the loan is February 14, 1977. The interest rate is 5.132%. Amtrak borrowings from the Bank are guaranteed by the Department of Transportation.

The Student Loan Marketing Association (Sallie Mae) refinanced the following amounts on maturing loans:

Date	Amount	Maturity	Interest Rate
11/2	$20,000,000	2/1/77	5.116%
11/9	20,000,000	2/8/77	5.146%

Sallie Mae borrowings are guaranteed by the Department of Health, Education, and Welfare.

WS-1215

The Federal Financing Bank made loans to the following utility companies guaranteed by the Rural Electrification Administration:

Date	Borrower	Amount	Maturity	Interest Rate
11/1	United Pwr. Assn.	$7,000,000	12/31/10	7.871%
11/1	Cooperative Pwr. Association	7,000,000	12/31/10	7.871%
11/1	Oglethorpe Elect. Membership	5,756,000	12/31/10	7.871%
11/10	Seminole Elect. Coop.	53,000	12/31/10	7.914%
11/10	Colorado-Ute Elect. Association	3,500,000	12/31/10	7.914%
11/10	Western Farmers Electric	11,000,000	12/31/10	7.914%
11/12	Alabama Elect. Coop.	13,540,000	12/31/10	7.912%
11/12	Big Rivers Elect. Corporation	1,710,000	12/31/10	7.912%
11/12	Arizona Elect. Pwr. Coop	11,580,000	12/31/10	7.912%
11/15	Associated Elect. Coop.	5,000,000	12/31/10	7.874%
11/15	Southern Tele. Co.	161,000	12/31/10	7.874%
11/15	United Pwr. Assn.	9,000,000	12/31/10	7.874%
11/15	Cooperative Pwr. Association	8,000,000	12/31/10	7.874%
11/15	Central Iowa Pwr. Coop.	1,247,000	12/31/10	7.874%

Interest payments on the above REA loans are made on a quarterly basis.

On November 12, the Tennessee Valley Authority borrowed $75 million. The maturity of the loan is February 28, 1977. The interest rate is 5.167%.

The FFB purchased the following notes from the Department of Health, Education and Welfare (HEW):

Date	Series	Amount	Maturity	Interest Rate
11/2	E	$1,300,000	7/1/00	7.754%
11/12	E	7,580,000	7/1/00	7.810%
11/12	F	895,000	7/1/01	7.812%

HEW had previously acquired the notes which were issued by various public agencies under the Medical Facilities Loan Program. The notes purchased by the FFB are guaranteed by HEW.

The General Services Administration sold the following Participation Certificates to the FFB:

Date	Series	Amount	Maturity	Interest Rate
11/4	M	$2,809,190.70	7/31/03	7.911%
11/12	L	1,340,610.29	11/15/04	7.974%

On November 12, the Government of the Philippines borrowed from the Bank $2,160,000 against Note #3. The loan matures June 30, 1982, and bears interest at a rate of 6.664%. The loan is guaranteed by the Department of Defense under the Foreign Military Sales Act.

The Federal Financing Bank loans outstanding on November 15, 1976, totalled $26.8 billion.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE December 10, 1976

TREASURY ANNOUNCES SCHEDULE CHANGES FOR
REGULAR TREASURY BILL AUCTIONS DUE TO HOLIDAY SEASON

In a separate press release today, the Treasury announced the amounts and auction date for the regular 13 week and 26 week bills to be issued December 23, 1976, to refund bills maturing that day. The auction of these bills would normally have been held Monday, December 20, 1976, but, because of the holiday season, the announcement was made today to insure investors sufficient time to receive and respond to the offering. Other Treasury bill offerings in December are also affected.

Therefore, the timing of regular Treasury bill offerings remaining in the month of December is as follows:

	Announcement	Auction	Issue
13 and 26 week bills	Friday Dec. 10,	Friday, Dec. 17,	Thursday, Dec 23,
13 and 26 week bills	Wednesday, Dec. 15,	Thursday, Dec. 23,	Thursday, Dec. 30,
13 and 26 week bills	Tuesday, Dec. 28,	Monday, Jan. 3,	Thursday, Jan. 6,
52-week bills	Wednesday, Dec 29,	Wednesday, Jan. 5,	Tuesday, Jan. 11,

WS-1216

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE AT 12:00 NOON December 10, 1976

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $5,200 million, or thereabouts, to be issued December 23, 1976, as follows:

91-day bills (to maturity date) in the amount of $2,100 million, or thereabouts, representing an additional amount of bills dated September 23, 1976, and to mature March 24, 1977 (CUSIP No. 912793 F3 5), originally issued in the amount of $3,105 million, the additional and original bills to be freely interchangeable.

182-day bills, for $3,100 million, or thereabouts, to be dated December 23, 1976, and to mature June 23, 1977 (CUSIP No. 912793 G8 3).

The bills will be issued for cash and in exchange for Treasury bills maturing December 23, 1976, outstanding in the amount of $5,207 million, of which Government accounts and Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold $2,890 million. These accounts may exchange bills they hold for the bills now being offered at the average prices of accepted tenders.

The bills will be issued on a discount basis under competitive and non-competitive bidding, and at maturity their face amount will be payable without interest. They will be issued in bearer form in denominations of $10,000, $15,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value), and in book-entry form to designated bidders.

Tenders will be received at Federal Reserve Banks and Branches and from individuals at the Bureau of the Public Debt, Washington, D. C. 20226, up to 1:30 p.m., Eastern Standard time, Friday, December 17, 1976. Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. 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.

Banking institutions and dealers who make primary markets in Government

(OVER)

securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others 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 bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. 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 $500,000 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 or Branch or at the Bureau of the Public Debt on December 23, 1976, in cash or other immediately available funds or in a like face amount of Treasury bills maturing December 23, 1976. 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.

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 considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of bills (other than life insurance companies) issued hereunder must include in his Federal income tax return, as ordinary gain or loss, the difference between the price paid for the 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.

Department of the Treasury 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, or from the Bureau of the Public Debt.

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DATE: December 13, 1976

TREASURY BILL RATES

	13-WEEK	26-WEEK
LAST WEEK:	4.383%	4.516%
TODAY:	4.360%	4.508%
HIGHEST SINCE ______:		
LOWEST SINCE 8-28-72:	4.332%	
8-14-72		4.464%

securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others 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 bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. 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 $500,000 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 or Branch or at the Bureau of the Public Debt on December 23, 1976, in cash or other immediately available funds or in a like face amount of Treasury bills maturing December 23, 1976. 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.

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 considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of bills (other than life insurance companies) issued hereunder must include in his Federal income tax return, as ordinary gain or loss, the difference between the price paid for the 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.

Department of the Treasury 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, or from the Bureau of the Public Debt.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE December 13, 1976

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $2,100 million of 13-week Treasury bills and for $3,200 million of 26-week Treasury bills, both series to be issued on December 16, 1976, were accepted at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing March 17, 1977			26-week bills maturing June 16, 1977		
	Price	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/
High	98.900	4.352%	4.46%	97.733	4.484%	4.65%
Low	98.895	4.371%	4.48%	97.712	4.526%	4.70%
Average	98.898	4.360%	4.47%	97.721	4.508%	4.68%

Tenders at the low price for the 13-week bills were allotted 53%.
Tenders at the low price for the 26-week bills were allotted 64%.

TOTAL TENDERS RECEIVED AND ACCEPTED
BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted	Received	Accepted
Boston	$ 19,540,000	$ 16,740,000	$ 6,180,000	$ 6,180,000
New York	3,834,765,000	1,740,505,000	5,151,080,000	2,952,280,000
Philadelphia	16,185,000	16,185,000	5,145,000	5,145,000
Cleveland	33,620,000	31,310,000	110,070,000	10,070,000
Richmond	19,010,000	14,930,000	11,200,000	8,840,000
Atlanta	35,630,000	31,555,000	13,525,000	13,525,000
Chicago	201,960,000	42,690,000	181,620,000	73,020,000
St. Louis	56,245,000	28,010,000	44,885,000	23,385,000
Minneapolis	24,960,000	6,960,000	23,630,000	8,630,000
Kansas City	40,450,000	37,045,000	14,890,000	12,890,000
Dallas	27,895,000	18,895,000	15,865,000	14,865,000
San Francisco	245,910,000	115,610,000	213,250,000	72,250,000
Treasury	30,000	30,000	30,000	30,000
TOTALS	$4,556,200,000	$2,100,465,000 a/	$5,791,370,000	$3,201,110,000 b/

a/Includes $ 334,830,000 noncompetitive tenders from the public.
b/Includes $ 133,820,000 noncompetitive tenders from the public.
1/Equivalent coupon-issue yield.

WS-1217

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE AT 4:00 P.M. December 13, 1976

TREASURY TO AUCTION $3,000 MILLION OF 2-YEAR NOTES

The Department of the Treasury will auction $3,000 million of 2-year notes to refund $2,017 million of notes held by the public maturing December 31, 1976, and to raise $983 million new cash. Additional amounts of these notes may be issued at the average price of accepted tenders to Government accounts and to Federal Reserve Banks for their own account in exchange for $265 million maturing notes held by them, and to Federal Reserve Banks as agents of foreign and international monetary authorities for new cash only.

Details about the new security are given in the attached highlights of the offering and in the official offering circular.

Attachment

WS-1218

HIGHLIGHTS OF TREASURY
OFFERING TO THE PUBLIC
OF 2-YEAR NOTES
TO BE ISSUED DECEMBER 31, 1976

December 13, 1976

Amount Offered:

To the public	$3,000 million

Description of Security:

Term and type of security	2-year notes
Series and CUSIP designation	Series U-1978 (CUSIP No. 912827 GG 1)
Maturity date	December 31, 1978
Call date	No provision
Interest coupon rate	To be determined based on the average of accepted bids
Investment yield	To be determined at auction
Premium or discount	To be determined after auction
Interest payment dates	June 30 and December 31
Minimum denomination available	$5,000

Terms of Sale:

Method of sale	Yield auction
Accrued interest payable by investor	See Settlement dates No. 2 below
Preferred allotment	Noncompetitive bid for $1,000,000 or less
Deposit requirement	5% of face amount
Deposit guarantee by designated institutions	Acceptable

Key Dates:

Deadline for receipt of tenders	Monday, December 20, 1976, by 1:30 p.m., EST
Settlement dates (final payment due)	
1. Offices that will be open December 31, 1976	
a) cash or Federal funds	Friday, December 31, 1976
b) check drawn on bank within FRB district where submitted	Tuesday, December 28, 1976
c) check drawn on bank outside FRB district where submitted	Monday, December 27, 1976
2. Offices closed on December 31, 1976 (The Bureau of the Public Debt and the FRB's of Minneapolis, Dallas, El Paso, Houston, San Antonio and Little Rock)	
a) cash, Federal funds, or a check in collected form, plus three days accrued interest	Monday, January 3, 1977
b) maturing Treasury securities	Monday, January 3, 1977
c) cash, Federal funds or a check in collected form	Thursday, December 30, 1976
Delivery date for coupon securities	Friday, December 31, 1976

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

Contact: J.C. Davenport
Extension 2951
December 14, 1976

FOR IMMEDIATE RELEASE

WITHHOLDING OF APPRAISEMENT ON
ROUND HEAD STEEL DRUM PLUGS
FROM JAPAN

The Treasury Department announced today a six-month withholding of appraisement on round head steel drum plugs from Japan, pending determination as to whether the subject merchandise is being sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. All or virtually all exports of the subject merchandise from Japan during the investigatory period were manufactured by Enomoto Industries Co., Ltd., of Takaishi, Japan. The investigation was therefore limited to this manufacturer.

This decision will appear in the Federal Register of December 15, 1976.

Under the Antidumping Act, the Secretary of the Treasury is required to withhold appraisement whenever he has reasonable cause to believe or suspect that sales at less than fair value may be taking place.

A final decision in this case must be made by March 15, 1977. Appraisement will be withheld for a period not to exceed six months from the date of publication of the "Withholding of Appraisement Notice" in the Federal Register.

Under the Antidumping Act, a determination of sales in the United States at less than fair value requires that the case be referred to the U.S. International Trade Commission, which would consider whether an American industry was being injured. Both sales at less than fair value and injury must be shown to justify a finding of dumping under the law. Upon a finding of dumping, a special duty is assessed.

Imports of the subject merchandise from Japan during the period January - June 1976 amounted to $27,826.

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WS-1219

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE AT 4:00 P.M. December 15, 1976

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $5,700 million, or thereabouts, to be issued December 30, 1976, as follows:

91-day bills (to maturity date) in the amount of $2,300 million, or thereabouts, representing an additional amount of bills dated September 30, 1976, and to mature March 31, 1977 (CUSIP No. 912793 F4 3), originally issued in the amount of $3,404 million, the additional and original bills to be freely interchangeable.

182-day bills, for $3,400 million, or thereabouts, to be dated December 30, 1976, and to mature June 30, 1977 (CUSIP No. 912793 G9 1).

The bills will be issued for cash and in exchange for Treasury bills maturing December 30, 1976, outstanding in the amount of $5,707 million, of which Government accounts and Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold $2,492 million. These accounts may exchange bills they hold for the bills now being offered at the average prices of accepted tenders.

The bills will be issued on a discount basis under competitive and non-competitive bidding, and at maturity their face amount will be payable without interest. They will be issued in bearer form in denominations of $10,000, $15,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value), and in book-entry form to designated bidders.

Tenders will be received at Federal Reserve Banks and Branches and from individuals at the Bureau of the Public Debt, Washington, D. C. 20226, up to 1:30 p.m., Eastern Standard time, Thursday, December 23, 1976. Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. 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.

Banking institutions and dealers who make primary markets in Government

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securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others 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 bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. 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 $500,000 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 or Branch or at the Bureau of the Public Debt on December 30, 1976, in cash or other immediately available funds or in a like face amount of Treasury bills maturing December 30, 1976. 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.

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 considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of bills (other than life insurance companies) issued hereunder must include in his Federal income tax return, as ordinary gain or loss, the difference between the price paid for the 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.

Department of the Treasury 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, or from the Bureau of the Public Debt.

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

MEMORANDUM TO THE PRESS December 15, 1976

Secretary Simon said that he was very pleased with the specifics of the United Kingdom economic program outlined by Chancellor Healey. He noted it is a comprehensive approach and requires careful analysis in order to gauge its full implications. The Secretary said the proposed program is excellent and it represents a sound and realistic strategy for the U.K., rather than a one-year transitory effort. The United States will strongly support it in the IMF.

It is clear that financial conditions and the ability of the economy to grow are closely related and the philosophy of reducing the public side of the economy so that the private side can grow is sensible. The cut in the government deficit is of particular significance, therefore, and the sharp reduction in the Public Sector Borrowing Requirement from 9% of gross domestic product this year to about 5% will provide a sound basis for economic growth. This cut is to be achieved by further reducing government spending by 1-1/2 to 2 billion pounds expressed in 1976 prices. Tax increases, aside from small changes in some indirect taxes, have been avoided and the Chancellor indicated that he is looking toward a reduction next year in British income tax.

The Secretary said he supported the idea of a two year program, which represented a responsible and sustained approach. The program will be phased with tranches of IMF credit, and the U.S. has agreed to provide $500 million in swaps during the period immediately ahead in anticipation of later drawings from the IMF.

Secretary Simon said he concurred in the Chancellor's statement that there was a general desire on the part of those concerned to achieve a satisfactory arrangement for the sterling balances, and that it would "be possible to reach agreement before long."

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WS-1221

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE AT 10:45 A.M. December 17, 1976

TREASURY TO AUCTION $2,500 MILLION OF 5-YEAR 1-MONTH NOTES

The Department of the Treasury will auction $2,500 million of 5-year 1-month notes to raise new cash. Additional amounts of the notes may be issued to Federal Reserve Banks as agents of foreign and international monetary authorities at the average price of accepted tenders.

Details about the new security are given in the attached highlights of the offering and in the official offering circular.

Attachment

WS-1222

HIGHLIGHTS OF TREASURY
OFFERING TO THE PUBLIC
OF 5-YEAR 1-MONTH NOTES
TO BE ISSUED JANUARY 6, 1977

December 17, 1976

Amount Offered:	
To the public	$2,500 million
Description of Security:	
Term and type of security	5-year 1-month notes
Series and CUSIP designation	Series D-1982 (CUSIP No. 912827 GH 9)
Maturity date	February 15, 1982
Call date	No provision
Interest coupon rate	To be determined based on the average of accepted bids
Investment yield	To be determined at auction
Premium or discount	To be determined after auction
Interest payment dates	February 15 and August 15 (first payment on August 15, 1977)
Minimum denomination available	$1,000
Terms of Sale:	
Method of sale	Yield Auction
Accrued interest payable by investor	None
Preferred allotment	Noncompetitive bid for $1,000,000 or less
Deposit requirement	5% of face amount
Deposit guarantee by designated institutions	Acceptable
Key Dates:	
Deadline for receipt of tenders	Tuesday, December 28, 1976, by 1:30 p.m., EST
Settlement date (final payment due)	
a) cash or Federal funds	Thursday, January 6, 1977
b) check drawn on bank within FRB district where submitted	Monday, January 3, 1977
c) check drawn on bank outside FRB district where submitted	Monday, January 3, 1977
Delivery date for coupon securities	Monday, January 10, 1977

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE

REMARKS BY JOHN J. NIEHENKE
SPECIAL ASSISTANT TO THE SECRETARY OF THE TREASURY
FOR DEBT MANAGEMENT
BEFORE THE
NATIONAL ASSOCIATION OF BUSINESS ECONOMISTS
PORT CHESTER, NEW YORK
TUESDAY, DECEMBER 7, 1976, 12:00 NOON

I would like to spend some time with you today to review the continuing growth and dominance of the capital markets by Federal, Federally-sponsored and Federally-guaranteed borrowing programs, the changes in debt management strategy and philosophy which this level of borrowing has caused, and some of the side effects this financing had had on the conduct of monetary policy.

I am sure that this group is well acquainted with the increased demands made upon the credit markets by the Federal Government through the borrowing activities conducted by the U. S. Treasury, Federally-sponsored agencies and Federal guarantee programs, but a review of these activities is both useful and sobering.

Taking the Treasury first, the accumulated budget deficits of the past 10 years and covering fiscal year 1968 through the current fiscal year will approximate $250 billion, thereby resulting in a doubling of the public debt and materially altering the Treasury's role in the capital markets from one of an occasional borrower with modest needs to that of the predominant demander of funds whose financing activities are so frequent and extensive that the Treasury now conducts over 100 separate financing operations annually and in fiscal year 1977, the combination of new cash needs of approximately $50 billion and the rollover of $200 billion in Treasury bills and coupon securities will result in an annual financing operation totaling one quarter of a trillion dollars.

WS-1223

Similarly the borrowing needs of off-budget programs have also grown dramatically over the same decade and the combination of obligations issued by Federally-sponsored agencies and those issued and guaranteed by Federal agencies total $227 billion, and like the Treasury, the frequency of these off-budget financial operations have increased signficantly.

The combination of on and off-budget financing activities has resulted in the extraction of one-half trillion dollars from the capital markets in the last decade with over half of the sum raised in the FY 1975, 1976 and the current fiscal year. This immersion into the capital markets has been referred to as the "Federalization" of the credit markets both in Treasury and in the private sector.

In fiscal year 1967, new Federal borrowing in the credit markets totaled $2 billion and represented approximately 3 percent of all funds raised (including both long and short-term credit demands). By 1971, the proportion of Federal borrowing had grown to 17 percent and in FY 1976, the total market involvement of Federal and Federally-sponsored financing activities accounted for over 40 percent of all funds raised. And while it is true that the very low level of short-term credit demands for the past year and a half tends to inflate that percentage of Federal borrowing, the percentage is nonetheless a considerable one, and one that will persist into the 1977 fiscal year. Despite the fact that Treasury financing should decline in the present fiscal year due to a smaller budget deficit, off-budget borrowing demands will remain at fiscal year 1976 levels and hold the combination of these needs to a level which depending upon the final flow of funds data will probably command fully one-third of all funds raised.

This growth of Federal borrowing has required close coordination and synchronization between the Treasury and those agencies which market their securities independently of the Treasury. It is imperative that these combined financing activities not conflict or compete with each other but rather that each entity is given a regular opportunity to finance, in the maturity structure desired and that these securities, once offered, clear the market in an expeditious and efficient manner so as not to conflict with the next successive offering. While the law requires that most Federal agencies seek approval or consultation with regard to their borrowing operations, the Treasury does not have a programmatic role. The agencies determine their own cash requirements and the debt structure most appropriate to their financial profile; the Treasury then coordinates these financing objectives with its own and creates a financing calendar which facilitates the Federal Government's broad financial needs in a systematic, regular way, a task which has become increasingly complicated over the past several years.

The continued, increasing financing needs of the Federal Government and specifically the Treasury significantly altered the debt management philosophy which had prevailed unchanged for years. Historically, the Treasury conducted its financing activities either in the bill market or with offerings of coupon securities once a calendar quarter. Basically, bill financing was used to bridge seasonal cash needs and quarterly coupon operations would be utilized to raise cash to finance fiscal year deficits and as a result, these quarterly financings became the predominant focal point of Treasury cash raising operations. However, as deficits grew and accumulted, it was necessary to increase the frequency of offerings and in light of the fact that the budget deficits were persisting, coupon security financing was emphasized as it would be inappropriate to concentrate such demands in the bill market. Excessive bill financing would create a massive overhang on the money markets which would distort and increase the borrowing costs of others and resurrect the spectre of disintermediation.

Therefore, the Treasury began a program of offering coupon securities on a more regular basis outside of the quarterly refunding periods but still concentrating its activities in maturities of one to two years with an occasional offering in the four or five year maturity range.

However, this continued reliance for new cash financings in relatively short maturities surfaced another problem -- a dramatic contraction of debt maturity. The average maturity of the privately-held marketable debt was five years, four months in 1965, and as the vast majority of new cash borrowing was conducted in either the bill market or short coupon securities and with few new initiatives in longer maturities, the average maturity steadily eroded. Between 1965 and 1970, it had fallen by 2 full years to 3-1/4 years and by January 1976 had dropped to 2 years and 5 months.

This erosion of average maturity, combined with the prospects of continued Federal budget deficits, argued strongly for a change in debt structure and financing routine. Therefore, the Treasury adopted two initiatives in order to facilitate the growing financial requirements and achieve some improvement in debt structure. One of the difficulties in Treasury finance is the effect which its financings have upon the markets as a whole and the financing plans of other borrowers. Surprise Treasury announcements or cash needs have always commanded a considerable, usually adverse market effect and the minimization of such developments was desirous and necessary for more frequent and hopefully successful entrance into the credit markets.

In order to facilitate the problem, the Treasury gradually evolved a pattern for a "regularized" financing schedule. We had already established a regular monthly offering of a 2-year note in early 1975 which was repeated the balance of the year. In early 1976, Treasury established a quarterly cycle pattern which involved the offering of a 5-year note in the first month of a quarter, a 4-year note in the third month of a quarter and, of course, our regular quarterly financing occupied the second month of the quarter, which has usually involved the offering of 3 issues, one in the 3 to 4-year maturity range anchor, one at 7 to 10 years and a long bond maturing in 25 to 30 years. This cycle, once established, gave Treasury a regular entre to the markets and allowed investors to key on these "now expected" offerings for their investment needs.

The second part of the initiative was to communicate to the market some idea of our cash requirements over a given period of time, usually the next quarter. This was accomplished by using our quarterly refunding press conference, at which time we would announce not only our plans to refund the maturing debt but also indicate our cash needs for the quarter and possibly give some direction as to how these needs might be accomplished. While these cash forecasts have been subject to modification due to unforecastable events such as delays in program spending or cash injections arising from asset sales or foreign purchases, they did serve to offer some guidance. And while we did not lay out our specific plans relative to how much cash would be raised in each of the regularized cycle spots or rule out some variation to that cycle, we did nonetheless give the markets the ingredients to a recipe which they could take and construct a financing scenario guided by our previous decisions and their understanding of our objectives. This procedure has eliminated a great deal of apprehension which might normally result from the uncertainty of the intentions of a large borrower in the market and has served, if you will, to "marry" our financing needs with investor demand.

In addition to the regularized financing cycle and the cash need forecasts, the Treasury has also attempted to vary its auction methods in order to achieve the best price while broadening the distribution for its securities. We have utilized four separate techniques, but not necessarily equally -- the "Dutch" auction which awards the entire offering at one uniform price -- the "yield" auction, which permits investors to bid on a security in terms of ultimate yield -- the "price" auction, used primarily when an existing issue is reopened and -- the "fixed price" subscription which is a reintroduction of a procedure used years ago. Each of these auction techniques has a particular strength and application.

The "Dutch" auction, by awarding at a single price, eliminates the professional edge and allows all subscribers to participate equally. The "yield" auction, while simplifying bidding procedure, seems to put the individual investor at a slight disadvantage due to his less sophisticated market awareness. On the other hand, the "price" auction seems more to the individual's liking as he is aware of the coupon rate beforehand. The "fixed price" subscription has been a highly successful tool for expanding distribution while achieving some much needed debt extension. The nature of a fixed price financing permits us to float a much larger issue that might ordinarily be done in the intermediate or long maturity area in that it is directly distributed to investors and consequently avoids the market congestion which would have certainly occurred had we attempted to market a sizable issue by one of our auction techniques which would have required substantial underwriting commitments by dealers and the much larger price concession associated with that underwriting risk, not to speak of the amount of time required to redistribute the issue to ultimate investors. In each successive offering of fixed price notes, we have refined the characteristics of price concession, maximum allotment and down payment requirements in order to achieve the broadest distribution at the lowest effective cost. It is primarily this auction technique which has permitted us to achieve extension of the debt structure in a material way, in fact, by way of the 3 refinancings in which we used this technique, we were able to add a full 4 months to the average maturity bringing it up to 2 years and 9 months.

The regularization of the Treasury's financing activities whereby the Department raises funds on an established time table rather than attempting to live "hand to mouth" and the overall growth of the budget has resulted in larger operating cash balances. The size and volatility of these balances has had significant implications for the banking system and Federal Reserve open market operations. It has been Treasury's policy for the past 2 years to minimize our balances in commercial bank tax and loan accounts and maintain the lion's share of these balances at the Federal Reserve. This policy emerged from a study undertaken in 1974 which indicated that the earnings provided by Treasury balances in the commercial banking system far outweighed the value of the services provided by these banks to the Treasury.

However, the constant movement of funds through the banking system to the Fed and then back has caused significant operating problems for the officers on the Federal open market desk. The massive shifts in funds with the corresponding reserve effects has forced the Fed to engage in continuous reserve adding and draining operations designed to offset these movements. This activity has made "Fed watching" more difficult as analysts attempt to distinguish between these reserve offsetting activities and possible changes in monetary policy.

The Treasury is acutely aware of these problems and also as a result of the 1974 study, initiated legislation which would create a borrowing agreement between the Treasury and its commercial bank tax depositories whereby the banks would pay the Treasury interest on its balances and the Treasury in turn would pay directly for services performed by the banks. This agreement would reduce the movement of balances between the banks and the Fed thereby eliminating those open market operations conducted to offset such movements. In addition, it would create a better business relationship between the Treasury and its tax depositories. We were very hopeful of acquiring a bill to permit the initiation of this procedure in the last session of Congress. Indeed, the bill passed in the House by a vote of 394 to 0, and appeared to have excellent prospects of passage in the Senate. However, in the closing days of the Congress, it, as many good bills do, acquired several controversial riders which delayed its movement to the floor for a vote as time ran out and Congress adjourned. However, legislative initiatives will be undertaken in the next session to authorize the borrowing procedure, which I believe has considerable merit and need, to be adopted.

In addition to the borrowing agreement to neutralize cash balance flows between the Fed and the bank depositories, the Department is also attempting to identify ways to eliminate the large intramonthly swings in the cash balance and effect a more regular flow of funds and modify the present pattern of large cash drawdowns in the first half of the month followed by large inflows in the second half. You can, I am sure, appreciate the difficulties associated with this problem, especially with regard to the recurring debt limit problem.

As we look ahead toward 1977, we must consider the fact that a new management will soon be moving into Treasury and until personalities are identified and their views on debt management become known, it is difficult and inappropriate for me or anyone else to speculate on what policy in this area will be. Traditionally, debt management had been a rather mundane, practical science; however, Government finance and borrowing has grown to be such a large and pervasive factor in the credit markets as to have significant and extensive policy implications and effects.

Whether the new policy group will chose to continue regularization, modify this strategy, or assume entirely different initiatives remains to be seen. Certainly, the development of the intermediate and longer-term markets over the past several years, combined with the highly liquid bill and short-term maturity area provide numerous options and possibilities. The current annual financing requirement of $250 billion also gives considerable opportunity to effect changes in debt structure and policy.

Obviously, the first consideration of the debt managers will be as to whether all the current discussion of a tax cut will materialize into an administration initiative, and if it does, the form that it takes could have considerable effect on Treasury debt management strategies. If a quick tax rebate or increased spending is selected, there will be an immediate impact on the current fiscal year deficit and Treasury cash flows. If a reduction in withholding or an increase in personal exemptions is chosen, the impact is less immediate but may be more lingering and consequently affect future fiscal budgets.

Another consideration will be whether the long awaited bank loan demand will finally emerge next year and the extent to which the increase in demand will compete with the Treasury for funds. Certainly, recent debt management success during the record deficits of the past 18 months was in part attributable to the fact that corporations were able to finance the increased level of business activity internally by a greatly improved profit performance combined with the ability to delay substantial tax liabilities.

However, that profit improvement will be difficult to repeat in 1977 and as their tax liabilities become due in March and June of next year, it will be interesting to see whether they are paid from the liquidation of short-term assets or by commercial bank borrowing; both of which will have an effect on short-term rates, the latter more than the former.

The absence of credit demands in 1976 have held short-term interest rates low and forced those commercial bank, thrift and other financial intermediaries, which enjoyed substantial positive funds flows to extend their investment profiles with the effect of steadily reducing long-term rates. As long-term rates declined this year, corporations found conditions favorable to continue the balance sheet restructuring begun in 1975 and it is interesting to note that the high level of longer-term financing activity during 1976 which was generally unexpected was met with even greater demand by long-term investors. This financing background was classicly unique and conducive to the large Treasury financing needs. It is uncertain whether this atmosphere will prevail.

What is certain is that the new policy makers will be able to turn to a Treasury securities market which over the past two years has proven to be an extraordinarily liquid, resilient and responsive market, one which has matured considerably in the size of oferrings which can be made, the frequency of financing, the choice of auction and subscription techniques which can be utilized and the increase in maturity options available.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE December 17, 1976

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $2,100 million of 13-week Treasury bills and for $3,100 million of 26-week Treasury bills, both series to be issued on December 23, 1976, were accepted at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing March 24, 1977			26-week bills maturing June 23, 1977		
	Price	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/
High	98.930	4.233%	4.34%	97.735	4.480%	4.65%
Low	98.916	4.288%	4.40%	97.718	4.514%	4.68%
Average	98.921	4.269%	4.38%	97.725	4.500%	4.67%

Tenders at the low price for the 13-week bills were allotted 77%.
Tenders at the low price for the 26-week bills were allotted 24%.

TOTAL TENDERS RECEIVED AND ACCEPTED
BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted	Received	Accepted
Boston	$ 16,985,000	$ 16,985,000	$ 24,650,000	$ 9,150,000
New York	3,484,245,000	1,739,495,000	4,949,360,000	2,273,120,000
Philadelphia	39,965,000	39,965,000	33,680,000	13,680,000
Cleveland	23,275,000	23,275,000	115,345,000	32,195,000
Richmond	9,705,000	9,705,000	6,225,000	5,425,000
Atlanta	14,180,000	14,180,000	13,205,000	13,205,000
Chicago	191,190,000	40,575,000	319,485,000	46,985,000
St. Louis	57,395,000	36,705,000	36,730,000	12,230,000
Minneapolis	33,250,000	18,250,000	28,335,000	13,335,000
Kansas City	25,355,000	25,355,000	12,210,000	10,710,000
Dallas	34,345,000	29,345,000	18,645,000	16,645,000
San Francisco	317,015,000	107,005,000	920,580,000	653,580,000
Treasury	---	---	10,000	10,000
TOTALS	$4,246,905,000	$2,100,840,000 a/	$6,478,460,000	$3,100,270,000 b/

a/ Includes $234,940,000 noncompetitive tenders from the public.
b/ Includes $105,030,000 noncompetitive tenders from the public.
1/ Equivalent coupon-issue yield.

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The Department of the TREASURY NEWS
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Contact: Patricia Metzer, 566-8024

FRINGE BENEFIT TAXATION NO LONGER TO BE CONSIDERED

Secretary of the Treasury William E. Simon announced today that the Department of the Treasury is no longer considering proposed amended regulations on the taxation of employee fringe benefits.

In a statement on this subject, the Secretary said: "In September 1975, the Department of the Treasury issued a discussion draft of proposed amended regulations prescribing standards for determining whether incidental facilities, goods and services benefiting employees result in compensation includible in gross income. This discussion draft appeared in the Federal Register on September 5, 1975 (40 FR 41118). As noted in the summary and explanation released at the same time, the proposed regulations were issued as a discussion draft, rather than in proposed form, 'because of the nature of the subject and the desirability of obtaining the broadest possible public comment'.

"During the past 15 months, the discussion draft has been the subject of extensive comment. These comments have demonstrated the problems associated with establishing rules of general applicability with respect to fringe benefits. The myriad forms in which fringe benefits are provided and the difficulty of valuing those benefits, together with the undesirability of mandating the keeping of additional detailed records by employers and employees in certain cases, with the attendant costs and complexities involved, have caused me to conclude that the discussion draft should be withdrawn.

"Treasury regulations are general rules designed to amplify, implement and, where appropriate, clarify the tax statutes enacted by Congress. Their purpose is to solve major problems in administering the law. In my judgment, a general statement of fringe benefit rules would not do this. Accordingly, I have concluded that such a general statement is not appropriate. Rather, the question of whether fringe benefits result in taxable compensation to employees should continue to depend, as it presently does, on the facts and circumstances that exist in individual situations.

"Thus, the Treasury Department today is withdrawing the discussion draft of proposed regulations on fringe benefits. A notice of this withdrawal will appear in the Federal Register at an early date."

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

STATEMENT OF THE HONORABLE WILLIAM E. SIMON
SECRETARY OF THE TREASURY
BEFORE THE
SENATE COMMITTEE ON BANKING, HOUSING
AND URBAN AFFAIRS
MONDAY, DECEMBER 20, 1976 AT 10:00 A.M.

Mr. Chairman and Members of this distinguished Committee:

I am pleased to have the opportunity to provide you with what undoubtedly will be my last report on New York City's progress toward fiscal and financial reform. In the course of this report I shall touch upon the most recent events affecting the City's future, its progress during the current fiscal year, and the prospects for the year which lies ahead. Finally I shall address an issue which has arisen with great frequency in recent weeks -- additional Federal assistance for New York City.

I would be remiss, however, Mr. Chairman, if I failed to begin my statement today without a word of sincere thanks to you, the members of your Committee, and the staff for your outstanding efforts in dealing with the complex and difficult problems which have faced us in this area over the last 18 months. While we have not always been in complete agreement as to the nature of the problems or as to the appropriate policy courses to follow, the relationship between this Committee and the Treasury is in the best traditions of Congressional/Executive Branch cooperation. Our dealings have been marked by candor, mutual respect and, above all, good faith. I know I speak for my entire staff when I say we owe you a deep debt of gratitude.

It is also appropriate at this time to recognize the outstanding efforts of Governor Carey, Mayor Beame and the Emergency Financial Control Board as well as the generous commitment of time and resources by men from the private sector such as Ken Axelson, Felix Rohatyn and George Gould. As a result of all of their efforts, important strides have

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been made toward fiscal and financial reform. At the same time, however, all New Yorkers -- indeed all Americans -- must realize that while a giant step has been taken, much remains to be done.

To understand the task ahead, we should distinguish between immediate concerns and longer term objectives. The principal immediate concern is a restoration of New York City's access to the credit and capital markets by the beginning of fiscal year 1979. Restoring such access will require a credibly balanced budget in fiscal 1978, continued progress on removal of operating expenses from the capital budget, and the completion of an accounting and controls system that generates credible and understandable data and is susceptible to independent audit conducted according to generally accepted accounting principles. In addition, and perhaps more importantly, a return to the capital markets will require a clear showing of a commitment from the City's leaders to sound fiscal policies in the future, and an abject rejection of the excesses of the past.

In the longer term, the objective is equally clear: New York City must be returned to its place of pre-eminence among the cities of our nation. It cannot confine itself solely to maintaining the levels of business activity and investment which exist today, but it must put itself in a position again to attract new business and new investment, regaining its historical share of our nation's economic activity.

To achieve these goals, a broad-ranging program of economic development must be accelerated. An effort in this area has begun, but more attention must be paid to some of the obvious roadblocks which lie in the path. In particular, as I have said before, New York City must concentrate on areas such as rent control; the costs of compensating its municipal work force, particularly in the area of pensions and other fringe benefits; and the current, counterproductive structure of business and personal taxes.

I have said all of these things before, and while the situation today differs from that which existed when I appeared before this Committee in April of this year or in October of last year, somehow the old French saying, "The more things change, the more they remain the same," seems apt. Until and unless a conscious and concerted effort is made in these directions, a full, long-term recovery cannot be accomplished.

The Moratorium Decision

The principal purpose of today's hearing is to deal with the financial issues presented by the recent decision of the State's highest court holding the moratorium in violation of the State's constitution. But before turning to a specific discussion of the activity in this area to date, I would like first to review the impact of the moratorium decision in more general terms.

To state my view most directly, I think the decision has given us the best of both worlds. The initial moratorium legislation enabled New York City to "buy" valuable time while it began down the difficult road of fiscal and financial reform. Without the moratorium, or something very much like it, I doubt a workable financial package could have been put together. No court decision will ever change the fact that the moratorium was an essential element in the original financial plan.

Since that time, however, the moratorium has come under attack on two related grounds. First, it has been argued that the existence of the notes in moratorium would create both financial and psychological barriers to New York City's re-entry to the capital markets in fiscal 1979. More generally, the moratorium was viewed by many as clouding the value of a far broader range of obligations -- certainly the securities of issuers within New York State -- and thus having a pervasive adverse effect on the municipal bond market, an important, integral and growing sector of our capital market structure. The Court's decision eliminates both concerns, substantially improving the prospects for the future.

Another noteworthy sidelight to the moratorium decision is the way in which it is being treated by the responsible officials at all levels of government and by the public at large. In sharp contrast to the extreme statements, the rhetoric, and the predictions of gloom and doom of last year, this new burden has been met with calm and with quiet confidence that the job can be done. In part this new atmosphere and attitude may derive from experience, from having coped with many -- more extreme -- crises in the past. But in my view a more important, albeit far more subtle, factor is the record of overall accomplishments toward fiscal and financial reform to date.

One year ago and earlier New York City was *in extremis* and continuing to deteriorate from a financial standpoint. Today the pattern is changing. While much remains to be done before New York City's basic economy is again sound, significant financial reforms have been begun. Under these circumstances, an event such as the moratorium decision is simply a problem that must be dealt with, not a potential coup de grace.

At the same time, it would not be appropriate to underestimate the seriousness of the current situation or to ignore the uncertainties which do exist. For example, the Court of Appeals decision considered and rejected a court-imposed plan at the outset. Instead, it left this matter to negotiations among the parties; negotiations which are now taking place on a daily basis. In view of the obvious delicacy of these negotiations I would not wish to speculate on their eventual outcome.

Also unclear is the precise scope of the decision itself. When the Moratorium on City notes was imposed in November 1975, approximately $2.4 billion in City notes were outstanding. However, shortly thereafter the major New York City banks and the pension funds agreed to accept deferred repayment and lower interest on the $819 million in City notes then held by them. Over the next nine months, other investors tendered $616 million in City notes in exchange for longer-term MAC bonds. The legal rights of these parties under the moratorium decision are the subject of dispute at the present time and it is too early to predict whether and to what extent these parties will be included in any financing arrangement.

The immediate concern of the officials of New York City and New York State is a plan to raise the approximately $1 billion required to meet the claims of noteholders who did not previously agree to other arrangements for repayment. Last week, on December 15, Mayor Beame announced a four-part package, consisting of the following elements:

-- $200 million cash from New York City's surplus 1977 cash flow.

-- $200 million generated by debt service savings derived from restructuring of the repayment terms of certain MAC obligations held by the New York Clearing House banks and the pension funds.

-- $300 million from the private placement of new obligations with institutional investors.

-- $300 million from the public sale of new obligations.

Mayor Beame announced that the plan would be carried out by November 1977 and that interim payments would be made to noteholders prior to that date. After the Mayor's announcement, counsel for the plaintiff in the moratorium case announced his general satisfaction with the proposed timing: that is, he indicated he would accept full payment within one year of the date of the Court's decision. He refused, however, to agree to bind the noteholders to the specifics of the plan, instead insisting upon an absolute assurance that $1 billion in cash would be provided during the allotted time period.

Given the delicacy of the negotiations concerning virtually all of these potential sources of funds, I do not believe it would be appropriate at this time for me to comment in greater detail on any of them or to speculate about their acceptability to the potential participants. In general, however, I believe the overall approach is both reasonable and financially sound.

Moreover, and more importantly, after some uncertainty in the days immediately following the Court decision, it seems clear now that all the relevant parties are committed to achieving a solution at the state and local level. Thoughts of new forms of Federal credit assistance specifically to deal with this problem, while widely discussed a month ago, have been dissipated by the realities here in Washington and by recognition that a solution at other levels of government was both feasible and possible.

Federal Loans

Moments after the moratorium decision was released, my staff and I began consideration of its impact on the Federal loan program. After careful analysis we concluded that the Moratorium decision did not alter our judgment that New York City could carry out its Financial Plan and would repay the outstanding Federal loans on time. Accordingly, I informed City and State officials that I intended to authorize the $770 million in loans then expected to be requested during the month of December.

This is not the first time that I have authorized a loan when potentially serious problems faced the City. Last winter, many critics thought the City could neither meet its Plan nor repay the Federal loans. Indeed, our own consultants, Arthur Andersen and Company, identified numerous potential problems which, if unresolved, would seriously undermine the Financial Plan and could endanger timely repayment of Federal loans.

Nevertheless, I authorized $1.26 billion in loans to New York City last winter. Every one of these loans was subsequently repaid on time or ahead of schedule, with interest.

On July 1, after the last Federal loan had been repaid, I was asked to extend the loan program into the new fiscal year. Although many were still critical of the City's accomplishments and the viability of its new Financial Plan, I concluded that the Plan was sound, and that the statutory requirements for making the new loans had been met. Accordingly, during the month of July, I authorized loans totalling $850 million. I also authorized an additional $225 million loan on August 4.

As this Committee is aware, the Credit Agreement governing the Federal Seasonal Loan Program provides me with broad discretion to carry out the purposes of the Legislation. Under the Agreement, the moratorium decision left me with three basic options regarding the City's scheduled request for $770 million during December. First, deny the loan, forcing the City to concentrate on the problem of raising $770 million to maintain essential services during December. Second, condition the loan on completion of a plan to finance the Moratorium notes, thereby forcing the numerous affected parties to attempt to develop, within a matter of days, a workable solution to the complex legal, economic and political problems brought on by the Moratorium decision. My third option was to inform City officials that I would authorize the December loans.

After receiving assurances from New York City and New York State that good faith negotiations would proceed immediately, I selected the third option. This allowed the development of a plan for repayment of the Moratorium notes to proceed in an orderly manner, without the fear that essential services would be cut due to the absence of anticipated Federal funds.

Not only did an immediate announcement regarding the December loans allow the relevant City and State officials to concentrate on the moratorium financing problem, but it also had a positive effect on the market for MAC obligations. Release of the Court ruling, late on a Friday afternoon, produced a brief flurry of erratic, but substantial, downward movements in the prices of certain obligations, particularly MAC bonds. My decision to continue the loans, which became widely known over the weekend, eliminated a key uncertainty and on Monday morning the markets opened calmly with MAC obligations trading at levels close to those which prevailed prior to the Court ruling. In short, my decision helped preserve the continuing value of MAC obligations in the market, an important consideration since the sale of new MAC obligations is likely to be required as part of a solution to the moratorium problem.

Reasonable Prospect of Repayment

In authorizing the December loans, I determined, as the Act requires, that there was a "reasonable prospect of repayment." This decision was based on several factors. First, pursuant to the Credit Agreement, New York City has irrevocably pledged to the Treasury $2.4 billion in revenues from State sources, more than enough to repay principal and interest on the estimated $2.1 billion loans. Furthermore, as additional security, the Act authorizes Treasury to claim Federal source revenues due the City. Third, if satisfactory arrangements to finance repayment of the Moratorium debt can be developed, as I believe they can, then the City's cash flow appears more than adequate to repay the seasonal loan without impairing essential services. Finally, the provisions of Title 31 of the United States Code, Section 191, give the Treasury an absolute first priority on the resources of any entity indebted to us.

In short, both our specific arrangements with New York City and general provisions of Federal law provide an adequate basis for concluding that the statutory standard has been met.

1977 Loan Balance

To date, we have loaned New York City $1.475 billion under the Seasonal Loan Act since the City's fiscal year began on July 1. The net interest cost for these loans has averaged 6.83 percent. Late last week, New York City asked to defer $170 million of its December loan until January. Accordingly, I now expect to authorize an additional $200 million in loans later this month (instead of the $370 million scheduled earlier), bringing the total for December to $600 million. If the parties continue to make progress in the Moratorium negotiations, I now expect to authorize $275 million in loans in January, which includes the $170 million deferred from December. The final loan this year, in the amount of $150 million, is expected to be made in March.

If these loans proceed as expected, they will bring aggregate borrowing under the Act during the current fiscal year to $2.1 billion. The net interest cost to the City for these loans, if current rates prevail, will be $90 million, a rate of approximately 6-1/2 percent, which includes the 1 percent surcharge required by the seasonal financing legislation.

I fully expect, as I did at the time I authorized these loans, that they will be repaid as they were repaid last year -- on time or ahead of schedule, with interest.

Progress Toward Financial Plan Objectives For Current Fiscal Year

Let me now turn to New York City's progress under its Three-Year Financial Plan. The Plan was designed to eliminate the City's operating budget deficit by June 30, 1978, reduce operating expenses in the capital budget, curtail capital spending, and establish an accounting system generating credible and comprehensive data susceptible to an independent audit conducted according to generally accepted accounting principles.

During the current fiscal year which ends June 30, 1977 (fiscal 1977), the City has four key objectives:

(1) reduce the operating budget deficit from $968 million during fiscal 1976 to $686 million during fiscal 1977.

(2) Reduce capital expenditures from the $799 million incurred during fiscal 1976 to $650 million in fiscal 1977.

(3) Proceed toward the elimination of operating expenditures in the capital budget by reducing the level from $654 million during fiscal 1976 to $572 million during fiscal 1977.

(4) Implement systems to improve accounting and budgetary controls to permit an independent audit of the fiscal 1978 results.

The City's most recent monthly forecasts indicate that it expects to achieve the Plan objectives this year. The operating budget deficit, the key budgetary indicator, is projected to be $703 million, a statistically insignificant variation from the target of $686 million.

Moreover, on a cash basis, the City is doing better than expected. City aides are now predicting a year-end cash balance of $324 million, $136 million higher than the $188 million balance on June 30, 1976. This growth in the cash balance has been attributed to actual or forecast increases in funds from the following sources, most of which are non-recurring:

-- $75 million retroactive reimbursement by Federal Government for a water pollution control project.

-- $60 million counter-cyclical Federal revenue sharing.

-- $27 million reduction in interest expense.

-- $40 million improvement in collection of receivables.

These projected increases, which total $202 million, are projected to be offset by slippage in other areas to reach the $136 million change in the cash balance level.

In addition to the analysis of my own staff, we have asked our consultants, Arthur Andersen and Company, independently to review two key aspects of the Plan: New York City's progress in developing new financial accounting and reporting systems and in implementing the approximately $400 million in deficit reduction measures scheduled for fiscal year 1977. We have also asked Andersen to review key aspects of the year-end 1976 report, particularly the achievement of $200 million in budget reductions.

Financial Systems

The financial systems area has been one of our principal long-term concerns, for without accurate and complete accounting systems and reliable information, the City's managers cannot make sound decisions and the investment community cannot be asked in the future to finance the City's seasonal cash needs and its capital budget.

At the same time, the financial systems area is an immediate concern as well, for the accuracy of the City's current forecasts -- upon which all decisions must be based -- is dependent in large part on the reliablility of its systems. Accordingly, since the full system will not be in place until next year, the City has developed an interim set of improved financial controls:

-- An expenditure allocation system controls overspending by the City agencies by promptly reviewing monthly expenses.

-- A personnel ceiling control system measures the progress of personnel cost reduction programs.

-- A monthly spending control system tracks the actual financial commitments of most City agencies against the budget for each agency.

-- An interim State and Federal aid monitoring program provides more accurate forecasts of anticipated revenues.

In its report to us concerning the City's financial reporting systems, Andersen concluded that the City had substantially improved its interim budgetary and financial control systems and that the implementation of the new Integrated Financial Management System is largely on schedule. This increases the reliability of the City's reports.

Spending Cuts

In a separate report, Andersen concluded that, in general, New York City had taken the necessary administrative steps to implement its deficit reduction program in concrete terms. For example:

-- Since the beginning of its financial crisis, New York City has reduced the size of its payroll by more than 50,000 jobs.

-- The City has reached agreements with its unions, representing more than 200,000 employees, providing for a freeze in wage costs through fiscal 1978 and a $24 million reduction in fringe benefits.

-- The City has closed all or major portions of three hospitals and expects to close down additional health facilities.

-- The City has ended a century old tradition of free tuition at its City University and has announced that it will not contribute to the operating expenses of CUNY's senior colleges in fiscal 1978.

These measures, and many others, resulted in achievement of the objective of $200 million in budget cuts in fiscal 1976. Moreover, according to Andersen's review, the necessary administrative actions to accomplish a $400 million budget reduction in the current fiscal year are in place. Accordingly, there is substantial basis for concluding that at least $400 million in budget reductions will be realized in Fiscal 1977.

Prognosis for Fiscal 1978

On January 1, 1977, Mayor Beame will submit to the Emergency Financial Control Board detailed plans for fiscal 1978. The program must:

-- Eliminate an operating budget deficit of approximately $500 million.

-- Remove an additional $50 million in operating expenses from the capital budget, pursuant to the ten-year program to eliminate capitalization of operating costs.

-- Reduce spending on capital projects to $429 million, $221 million below the 1977 level of $650 million.

In his preliminary plan for 1978, presented last March, the Mayor indicated that he would rely on various deficit reduction measures during fiscal 1978. They include savings through attrition, reduced spending for public assistance and Medicaid, withdrawal from subsidizing City University expenses, withdrawal from the Social Security system, changes in certain Federal regulations, certain assumptions of costs by the State, productivity increases, and other measures.

Developments during the past nine months will undoubtedly require the City to substitute other budget reduction measures. But the goal of a balanced budget remains central to the program of fiscal and financial reform and I continue to believe that this goal can and must be met.

Longer Range Issues

At the same time, as I noted at the beginning of my testimony, restoration of New York City to pre-eminence among our nation's cities will require detailed attention to the longer range problems as well. When I last appeared before this Committee in April, I devoted nearly half of my prepared testimony to this subject.

At that time, I established a threshold criterion: the creation of an environment in which economic activity can flourish. I need not repeat in detail for this Committee my views on the appropriate areas of concentration. Not only are those views available in the record of the proceedings last spring, but, in many respects, they are already shared by the members of this Committee as reflected in your excellent Committee report which followed the April hearing.

At the same time, however, given the pressing importance of these matters, I do believe it appropriate briefly to summarize the chief areas of concern. In particular, New York City must continue to concentrate on the following:

-- Restoration of the real estate tax base. A strong real estate tax base is essential to New York City's economic recovery. The long and costly experiment with rent controls and stabilization continues to cause severe erosion to that base. Accordingly, the phasing out of the current system of controls, with appropriate and compassionate concern for the housing needs of the truly disadvantaged, is essential.

-- Fringe benefits. Given the absolute requirement of a balanced budget, the only way the existing tax burden can be lightened is by significant cost reductions. And in order to maintain an acceptable level of essential services, such cost reductions must occur where excesses now exist.

We in the Federal Government are not alone in focusing attention on the costs to the City's taxpayers of the current level of employee fringe benefits. Similar views have been expressed by the City's own Temporary Commission on City Finances and other groups. While the wage settlements of last July called for a reduction of $24 million in the fringe benefits area, much more remains to be done.

As we look at the economic future of New York City, it is simply impossible to ignore the fact that New York City's fringe benefit program remains grossly disproportionate to the programs of other state and local governments and the private sector as well. According to New York City's 1977 budget, fringe benefit costs average 68.7 percent of pay, more than double the 33 percent rate for state and local governments as a class.

Another relevant comparison is the actual dollar outlay for wages and cash fringe benefits. In fiscal 1976, New York City spent, on average, approximately $26,000 per employee. By contrast, the Federal Government spent $18,500. The $7,500 gap, when multiplied by the City's approximate full time payroll of 230,000, means excess spending of $1.7 billion.

-- Unique services. New York City continues to provide much more than other cities in the way of unique services in the health care area, in education, and in transit subsidies. The City's activities in many of these areas have been of extreme importance to many New Yorkers, particularly the disadvantaged. And in the past year, much progress has been made in more carefully tailoring the level of costs. But in the months and years ahead, the leaders of New York City must continue to cast a cautious eye in this direction, recognizing their responsibility to close the gap between what citizens think they want and what they are willing and able to pay for.

-- Tax Structure. Finally, of course, all of these measures, and others as well, must contribute to a more rational system of business and personal taxes. The existing level of taxation is an important disincentive to investment in New York City.

In this brief summary I have only highlighted certain key aspects of a longer range program. Obviously, there are numerous other areas which also need to be addressed. I simply urge that this Committee and my successors in the Executive Branch continue to recognize that while attainment of the short term goals of the financial plan remains of paramount importance, considerable attention must be devoted to the long range issues as well.

Federal Assistance

Before concluding, let me turn to a question that has increasingly become a subject of discussion in recent weeks; should Washington provide New York City with new forms of credit assistance?

Amidst the rhetoric about new Federal assistance, it is important to recognize the substantial contribution the Federal government has already made. The seasonal loan legislation is an integral part of the financing package which underlies the accomplishments of the past year. Any new Federal credit program must therefore be evaluated not only on its own merits, but also in the context of the proper role of the Federal government.

In considering new Federal assistance, the threshold issue is the question of need. During the year that the loan program has been in existence, the City has accomplished more than most of its critics, and many of its supporters, thought possible. Yet, with a significant portion of its expense reductions already completed, there are those who claim the City cannot finish the job without Federal assistance in the year and a half ahead. Why?

-- Has the City failed to meet its three-year recovery plan? No, it met the Plan the first year; and it is meeting the Plan this year.

-- Is it incapable of further reduction measures? No, the Mayor will present such a plan in less than two weeks.

-- Have new developments, such as the Moratorium, invalidated the original assumptions of the recovery plan? No, in fact, resolution of the Moratorium question now will make return to the capital markets far less difficult in fiscal 1979.

If the demands for new Federal assistance were based only upon a misunderstanding about New York City's ability to carry out the Plan, then there would be little cause for immediate concern. But there is far more at stake: in my view, a revival of the belief that the City will be saved by a new Federal funding program is the greatest threat to fulfillment of the current Financial Plan.

Recall last year when demands for aid from Washington were the order of the day. Only after the officials of New York City and New York State finally accepted the responsibility for the City's financial affairs did real progress take place. The City can carry out its current Plan, but it cannot afford the loss of time and will in debating whether Washington should do the job.

In the final analysis, the merits of the question of Federal credit assistance for New York City -- or for all units of state and local government -- have not changed materially since we first began to consider this issue some 18 months ago. The same Hobson's Choice faces the Congress and the Executive Branch: a new program of credit assistance would require the creation of another bureaucracy in Washington to control the fiscal and financial affairs of state and local government, allocating credit and determining local spending priorities; or, in the alternative, it would require ceding control of Federal fiscal decision-making to state and local officials.

What _has_ changed since the Federal credit assistance question first surfaced is the degree of need for such assistance to deal with the New York City financial situation. There were times when New York City's financial condition was so desperate that an argument could have been constructed to the effect that Federal credit assistance was the only alternative to otherwise inevitable bankruptcy. To the extent that argument ever had any validity -- and I do not believe that it did -- it is clear from the record of accomplishments that it is certainly not valid today.

Through their own efforts, the people of New York City and New York State are well along toward a financial recovery. These efforts prove that the problem can, as a practical matter, be resolved without long-term Federal credit assistance. Accordingly, the argument today for new Federal credit assistance cannot be based on a concept of need. Instead, somewhat strangely, the argument seems to be grounded on the concept of reward.

It has been suggested that New York City's principal claim to new forms of Federal credit assistance is its accomplishments to date; that having come so far so fast, New York City is entitled to slow its own efforts and have the taxpayers of the nation pick up the slack. I view the situation from the reverse perspective. In my view the people of New York City and New York State should be allowed to finish the job they have so admirably begun on their own and then claim the credit which is so justifiably theirs.

In short, Federal credit assistance remains as wrong as it always has from a national policy standpoint and is neither needed nor justified by the current financial situation.

In addition to new forms of credit programs, other types of assistance from Washington have also been discussed: new initiatives in the housing area, modifications in the medicare and welfare programs, public works jobs programs, and the like. In general, my views on these subjects are quite well known. I have often called for a comprehensive reappraisal of Federal, state and local relationships in the area of assistance to the disadvantaged. For some time, I have advocated the simple, non-bureaucratic approach of income maintenance -- a negative income tax -- as an alternative to current welfare programs. I know that this issue has been extensively discussed in the past, but there have been no concrete steps in this direction. I would hope that the new Congress would devote immediate attention to this important concept.

Conclusion

In preparing for my testimony today, it occurred to me that this would probably be my last formal appearance before the Congress as Secretary of the Treasury. In the four years since I have come to Washington, I have testified many times on virtually every aspect of the economic and financial environment. Notwithstanding the diverse nature of my responsibilities, a few common themes stand out:

-- A firm conviction in the commitment of the American people to our governmental structure and our economic system.

-- A firm belief in the superiority of a free market, unfettered by governmental interference, as an economic and financial decision-making tool.

-- A deep and continuing concern about the threat to our way of life posed by direct governmental interference; and about the even greater threat posed by interference in its more subtle and therefore more sinister forms. In my view, perhaps the greatest threat to our system may be fiscal and monetary policies which would inevitably lead to persistent and pervasive high levels of inflation.

Given these views, I cannot avoid concluding my sixth and last formal testimony on the New York City financial situation on a positive note. While I have expressed concern about the Federal Government's lack of adherence to these principles in many areas, during the last year they have been generally followed in the New York case. Perhaps more importantly, these principles have played a key role in the decision-making process at the state and local level. The people of New York City and New York State recognized early that the cause of their problems was years of unsound fiscal policies and that the only solution lay in a program of fiscal and financial reform. I consider myself extremely fortunate to have had the opportunity to participate both in the evaluation of the problem and in the development of a program for its ultimate solution.

I do not leave office with any delusions about the difficulty of the task which lies ahead for New York City. But I do believe that with the continued dedication of its people and its leaders, New York City will return to its proper place among the greatest cities in the world.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE December 20, 1976

RESULTS OF AUCTION OF 2-YEAR TREASURY NOTES

The Treasury has accepted $3,012 million of $6,594 million of tenders received from the public for the 2-year notes, Series U-1978, auctioned today.

The range of accepted competitive bids was as follows:

Lowest yield	5.29%
Highest yield	5.38%
Average yield	5.37%

The interest rate on the notes will be 5-1/4%. At the 5-1/4% rate, the above yields result in the following prices:

Low-yield price	99.925
High-yield price	99.757
Average-yield price	99.775

The $3,012 million of accepted tenders includes $367 million of noncompetitive tenders and $2,445 million of competitive tenders (including 61% of the amount of notes bid for at the high yield) from private investors. It also includes $200 million of tenders at the average price from Federal Reserve Banks as agents for foreign and international monetary authorities in exchange for maturing securities.

In addition, $362 million of tenders were accepted at the average price from Government accounts and Federal Reserve Banks for their own account in exchange for securities maturing December 31, 1976, ($252 million) and from Federal Reserve Banks as agents for foreign and international monetary authorities for new cash ($110 million).

WS-1227

federal financing bank NEWS
WASHINGTON, D.C. 20220
Press inquiries: 202-964-2615

FOR IMMEDIATE RELEASE

December 20, 1976

SUMMARY OF LENDING ACTIVITY

November 16-November 30, 1976

Federal Financing Bank lending activity for the period November 16 through November 30, 1976, was announced as follows by Roland H. Cook, Secretary:

The Student Loan Marketing Association (Sallie Mae) refinanced the following principal amounts on loans previously made by the Federal Financing Bank.

Date	Amount	Maturity	Interest Rate
11/16	$20,000,000	2/15/77	5.145%
11/23	20,000,000	2/22/77	4.840%
11/30	10,000,000	2/22/77	4.705%

Sallie Mae borrowings from the Bank are guaranteed by the Department of Health, Education and Welfare.

The National Passenger Service (Amtrak) made the following drawings from the FFB:

Date	Note #	Amount	Maturity	Interest Rate
11/18	7	$10,000,000	12/31/76	5.041%
11/24	8	7,000,000	2/14/77	4.854%

Amtrak borrowings from the FFB are guaranteed by the Department of Transportation.

On November 24, the Federal Financing Bank purchased debentures from Samll Business Investment Companies totaling $5,190,000. $400,000 of the debentures mature on November 1, 1981 and bear interest at a rate of 6.445%. The remaining balance of $4,790,000 matures November 1, 1986 and bears interest at a rate of 7.335%. These debentures are guaranteed by the Small Business Administration.

WS-1228

The Federal Financing Bank made loans to the following utility companies guaranteed by the Rural Electrification Administration:

Date	Borrower	Amount	Maturity	Interest Rate
11/16	Sierra Telephone Co.	$ 95,000	12/31/10	7.866%
11/16	Tri-State Generation & Transmission Assn.	4,185,000	12/31/10	7.866%
11/19	Arizona Elect. Pwr. Coop.	2,579,000	12/31/10	7.822%
11/23	S. Mississippi Electric Power	5,385,000	11/27/78	5.704%
11/29	Arizona Elect. Pwr. Coop.	2,047,000	12/31/10	7.606%
11/30	S. Illinois Pwr. Co.	1,750,000	11/30/78	5.734%

Interest payments on the above REA loans are made on a quarterly basis.

On November 29, the U.S. Railway Association (USRA) refinanced the outstanding balance of $1,033,566.06 on Note #3. USRA borrowed $928,154.33 from the FFB to partially repay principal and to pay interest due. The maturity of the loan is February 28, 1977. The interest rate is 4.748%. USRA borrowings from the Bank are guaranteed by the Department of Transportation.

On November 30, the Tennessee Valley Authority borrowed $330 million to repay $325 million of notes maturing with the Bank and to raise additional funds. The loan matures February 28, 1977 and bears interest at a rate of 4.707%.

On November 30, the Federal Financing Bank purchased from the Department of Health, Education and Welfare (HEW) Series F notes in the amount of $665,000. The maturity of the notes is July, 1, 2001. The interest rate is 7.552% . The Department had previously acquired the rates which were issued by various agencies under the Medical Facilities Loan Program. The notes purchased by the Bank are guaranteed by HEW.

The FFB made the following advances to borrowers guaranteed by the Department of Defense under the Foreign Military Sales Act:

Date	Borrower	Amount	Maturity	Interest Rate
11/18	Government of Nicaragua	$602,600.00	6/30/80	6.120%
11/19	Government of Tunisia	4,640,577.00	6/30/84	6.725%
11/19	Government of Ecuador	119,329.00	6/30/83	6.605%
11/23	Government of Nicaragua	12,729.17	6/30/80	5.847%
11/26	Government of Brazil	500,000.00	6/30/83	6.296%
11/26	Government of Brazil	508,461.01	10/1/83	6.347%
11/26	Government of Brazil	256,028.59	3/15/83	6.262%
11/29	Government of Israel	65,699,759.99	6/30/06	7.599%
11/30	Government of Turkey	64,400,000.00	10/1/86	6.559%

Federal Financing Bank loans outstanding on November 30, 1976, totalled $27.0 billion.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE December 20, 1976

RESULTS OF AUCTION OF 2-YEAR TREASURY NOTES

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WS-1227

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE December 20, 1976

TREASURY ISSUES NEW REGULATIONS ON
FORFEITURE OF COUNTERFEIT U. S. GOLD COINS

Under Secretary of the Treasury Jerry Thomas today signed an order which would permit certain purchasers or holders of gold coins who have forefeited them to the United States because they were counterfeit to recover the gold bullion from the coins.

In accordance with the new regulations effective on January 1, 1977, innocent purchasers or holders of counterfeit United States gold coins may submit the coins to the Assistant Secretary for Enforcement, Operations, and Tariff Affairs for his determination that the coins are in fact counterfeit. The Assistant Secretary may then request the Bureau of the Mint to extract and return the gold bullion to the innocent holder. The petitioner shall be responsible for all reasonable costs incurred in extracting the bullion from the counterfeit coins, as shall be determined by the Assistant Secretary.

The regulations for Mitigation of Foreiture of Counterfeit of Gold Coins state that the Secretary of the Treasury shall retain total discretion in determining whether or not it is in the best interest of the government to smelt the coins and return the gold bullion to the petitioner.

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WS-1229

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

Contact: R.B. Self
Extension: 2951
December 21, 1976

FOR IMMEDIATE RELEASE

TREASURY DEPARTMENT ANNOUNCES PRELIMINARY COUNTERVAILING DUTY DETERMINATION ON SPANISH ZINC IMPORTS

The Treasury Department announced today a preliminary determination that imports of unwrought zinc from Spain benefit from the payment or bestowal of a bounty or grant under the U.S. Countervailing Duty Law (19 U.S.C. 1303). Notice to this effect will be published in the Federal Register of December 22, 1976.

The Countervailing Duty Law requires the Treasury Secretary to assess an additional (countervailing) duty that is equal to the amount of a bounty or grant (subsidy) when one has been found to be paid or bestowed. The Spanish program that has been determined preliminarily to constitute a bounty is a portion of the final stage rebate , known as the desgravacion fiscal, on the exported product. The desgravacion fiscal rebate is designed to reflect the cascade effect of all indirect (turnover) taxes imposed on the exported product. While the Treasury does not regard the rebate on export of indirect taxes to be a bounty, it has countervailed where it has found an overrebate of indirect taxes to exist or in situations where the rebate includes indirect taxes which are not directly related to the product. It is on this basis that the preliminary determination with respect to zinc was issued.

Interested parties will have 30 days from the date of publication in the Federal Register in which to present written views regarding this action. A final determination must be issued by no later than June 17, 1977.

Imports of unwrought zinc from Spain during 1975 were approximately $18 million.

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WS-1230

DATE: December 23, 1976

TREASURY BILL RATES

	13-WEEK	26-WEEK
LAST WEEK:	4.269 %	4.500 %
TODAY:	4.296 %	4.474 %
HIGHEST SINCE 12/13/76:	4.360 %	/
LOWEST SINCE 8/14/72:		4.464 %

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE December 23, 1976

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $2,301 million of 13-week Treasury bills and for $3,401 million of 26-week Treasury bills, both series to be issued on December 30, 1976, were accepted at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing March 31, 1977			26-week bills maturing June 30, 1977		
	Price	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/
High	98.923 a/	4.261%	4.37%	97.745 b/	4.460%	4.63%
Low	98.911	4.308%	4.42%	97.732	4.486%	4.65%
Average	98.914	4.296%	4.40%	97.738	4.474%	4.64%

a/ Excepting 2 tenders totaling $2,330,000
b/ Excepting 1 tender of $2,230,000

Tenders at the low price for the 13-week bills were allotted 64%.
Tenders at the low price for the 26-week bills were allotted 23%.

TOTAL TENDERS RECEIVED AND ACCEPTED BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted	Received	Accepted
Boston	$ 27,495,000	$ 16,495,000	$ 23,320,000	$ 8,320,000
New York	3,343,575,000	1,846,775,000	5,803,130,000	2,988,230,000
Philadelphia	17,095,000	17,095,000	28,755,000	8,755,000
Cleveland	23,810,000	23,810,000	108,695,000	8,695,000
Richmond	27,980,000	23,980,000	24,490,000	4,990,000
Atlanta	24,625,000	24,625,000	17,705,000	17,705,000
Chicago	181,150,000	107,790,000	291,625,000	91,625,000
St. Louis	57,495,000	47,495,000	60,070,000	44,905,000
Minneapolis	14,050,000	12,970,000	48,100,000	33,940,000
Kansas City	24,995,000	24,995,000	7,470,000	7,470,000
Dallas	18,875,000	18,875,000	28,935,000	16,935,000
San Francisco	238,500,000	135,660,000	451,675,000	169,055,000
Treasury	---	---	---	---
TOTALS	$3,999,645,000	$2,300,565,000 c/	$6,893,970,000	$3,400,625,000 d/

c/ Includes $262,905,000 noncompetitive tenders from the public.
d/ Includes $117,025,000 noncompetitive tenders from the public.
1/Equivalent coupon-issue yield.

WS-1231

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE December 23, 1976

SMALL BUSINESS COMMITTEE PRESENTS RECOMMENDATIONS TO TREASURY SECRETARY

The Treasury Department's Small Business Advisory Committee on Economic Policy has recommended several new policy initiatives to assist small businesses in the area of tax policy, capital formation and government paperwork and regulations.

The Committee presented the recommendations to Treasury Secretary William E. Simon at its December meeting in Washington, D.C.

Its tax recommendations covered adjustments of depreciation schedules and corporate rates; increasing the surtax exemption, deferring taxation when an investment is transferred from one small business to another; raising the ceiling on accumulated earnings; and a tax credit for those who make Small Business Administration-guaranteed loans. Among the new recommendations were: allowing income averaging by permitting small businesses to carry over unused surtax exemptions; a working capital investment credit proposal which would allow a 10 percent tax credit on the first $250,000 of earnings, whether or not businesses used the investment credit provisions in the law and consideration of an employment tax credit that would encourage employment in the independent small business sector.

In the area of capital formation the Committee recommended clarification of the "prudent man rule" under the Employee Retirement Income Security Act (ERISA), which establishes fiduciary responsibilities for investing pension funds. And it recommended changes in three Securities Exchange Commission laws and regulations to facilitate investments in new and small firms. Finally, it made two recommendations regarding the Small Business Administration's role in assisting small businesses to raise capital.

(over)

In addressing government paperwork and regulations, the Committee recommended that all Federal Government agencies work toward achieving the goal of requiring only two reports from the private sector per year--one for financial data and one for other data--to decrease the growing paperwork burden on businesses and force better control and justification of the government's requirements. A report of these recommendations has been compiled and is available at the Treasury Department.

The Committee plans to present a report on business opportunities for trade between the United States and Saudi Arabia at a later date.

The Committee also recommended that its work be continued by the new Administration to further increase awareness of small business concerns within the Treasury Department and other regulatory agencies.

Other business at the meeting included presentations on the Tax Reform Act of 1976, the President's Commission on Federal Paperwork, Treasury's public reporting and regulatory requirements and Security and Exchange Commission requirements affecting small businesses in raising capital.

Recognizing the importance of small business enterprises in the United States, the Treasury Department created the committee in the spring of 1976 to advise the Secretary of the Treasury on the broad range of economic issues which profoundly impact small business--including inflation, capital formation, tax policy and governmental regulations. For more information, the public should contact Mrs. Susan Magee, Committee Manager, Treasury Department, Washington, D.C. 20220.

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The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE December 23, 1976

Gerald L. Parsky, Assistant Secretary of the Treasury for International Affairs, announced today that the Government of the Hungarian People's Republic recently made full payment, in the amount of $4,327,271.44, of all indebtedness owed by it to the United States through December 15, 1976.

As result of this payment, Assistant Secretary Parsky also announced that the restrictions of the Johnson Act do not now apply to Hungary. The Johnson Act forbids persons within the United States from trading in the securities of or making loans to any foreign government in default in the payment of its obligations to the United States, unless the foreign government is a member of both the International Monetary Fund and the World Bank.

The Hungarian indebtedness, the last payment of which is due in 1985, arises from a World War I relief loan made by the United States for the purchase of surplus flour.

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WS-1233

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

Contact: J.C. Davenport
Extension 2951
December 27, 1976

FOR IMMEDIATE RELEASE

TREASURY ANNOUNCES TENTATIVE DISCONTINUANCE OF
ANTIDUMPING INVESTIGATION ON
STEELED-WALLED ABOVE-GROUND SWIMMING POOLS
FROM JAPAN

Under Secretary of the Treasury Jerry Thomas announced today the tentative discontinuance of the antidumping investigation on steel-walled above-ground swimming pools from Japan. Notice of this decision will appear in the Federal Register of December 28, 1976.

The Customs investigation revealed that those margins which were found to exist were minimal in relation to the volume of trade, and, in addition, written assurances of no future sales at less than fair value have been received from counsel acting on behalf of the exporter who accounted for roughly 90 percent of the exports of the subject merchandise from Japan during the investigatory period.

Imports of steel-walled above-ground swimming pools from Japan were valued at approximately $1.5 million during the period November 1, 1975 through April 30, 1976.

A final decision in this case must be reached by March 28, 1977.

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WS-1234

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE AT 4:00 P.M. December 28, 1976

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $6,000 million, or thereabouts, to be issued January 6, 1977, as follows:

91-day bills (to maturity date) in the amount of $2,500 million, or thereabouts, representing an additional amount of bills dated October 7, 1976, and to mature April 7, 1977 (CUSIP No. 912793 F5 0), originally issued in the amount of $3,506 million, the additional and original bills to be freely interchangeable.

182-day bills, for $3,500 million, or thereabouts, to be dated January 6, 1977, and to mature July 7, 1977 (CUSIP No. 912793 H8 2).

The bills will be issued for cash and in exchange for Treasury bills maturing January 6, 1977, outstanding in the amount of $6,013 million, of which Government accounts and Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold $2,523 million. These accounts may exchange bills they hold for the bills now being offered at the average prices of accepted tenders.

The bills will be issued on a discount basis under competitive and non-competitive bidding, and at maturity their face amount will be payable without interest. They will be issued in bearer form in denominations of $10,000, $15,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value), and in book-entry form to designated bidders.

Tenders will be received at Federal Reserve Banks and Branches and from individuals at the Bureau of the Public Debt, Washington, D. C. 20226, up to 1:30 p.m., Eastern Standard time, Monday, January 3, 1977.
Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. 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.

Banking institutions and dealers who make primary markets in Government

securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others 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 bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. 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 $500,000 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 or Branch or at the Bureau of the Public Debt on January 6, 1977, in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 6, 1977. 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.

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 considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of bills (other than life insurance companies) issued hereunder must include in his Federal income tax return, as ordinary gain or loss, the difference between the price paid for the 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.

Department of the Treasury 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, or from the Bureau of the Public Debt.

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR IMMEDIATE RELEASE December 28, 1976

RESULTS OF AUCTION OF 5-YEAR 1-MONTH TREASURY NOTES

The Treasury has accepted $2,501 million of $5,312 million of tenders received from the public for the 5-year 1-month notes, Series D-1982, auctioned today.

The range of accepted competitive bids was as follows:

Lowest yield	6.15%
Highest yield	6.20%
Average yield	6.19%

The interest rate on the notes will be 6-1/8%. At the 6-1/8% rate, the above yields result in the following prices:

Low-yield price	99.872
High-yield price	99.656
Average-yield price	99.699

The $2,501 million of accepted tenders includes $853 million of noncompetitive tenders and $1,648 million of competitive tenders (including 80% of the amount of notes bid for at the high yield) from private investors.

In addition, $190 million of tenders were accepted at the average price from Federal Reserve Banks as agents for foreign and international monetary authorities for new cash.

WS-1236

The Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 964-2041

FOR RELEASE AT 4:00 P.M. December 29, 1976

TREASURY'S 52-WEEK BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for $3,070 million, or thereabouts, of 364-day Treasury bills to be dated January 11, 1977, and to mature January 10, 1978 (CUSIP No. 912793 M2 9). The bills, with a limited exception, will be available in book-entry form only, and will be issued for cash and in exchange for Treasury bills maturing January 11, 1977.

This issue will not provide new money for the Treasury as the maturing issue is outstanding in the amount of $3,069 million, of which $1,643 million is held by the public and $1,426 million is held by Government accounts and the Federal Reserve Banks for themselves and as agents of foreign and international monetary authorities. Additional amounts of the bills may be issued to Federal Reserve Banks as agents of foreign and international monetary authorities. Tender from Government accounts and the Federal Reserve Banks for themselves and as agents of foreign and international monetary authorities will be accepted at the average price of accepted tenders.

The bills will be issued on a discount basis under competitive and noncompeti tive bidding, and at maturity their par amount will be payable without interest. Except for definitive bills in the $100,000 denomination, which will be available only to investors who are able to show that they are required by law or regulation to hold securities in physical form, this series of bills will be issued entirely in book-entry form on the records either of the Federal Reserve Banks and Branches or of the Department of the Treasury.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20226, up to 1:30 p.m., Eastern Standard time, Wednesday, January 5, 1977. Form PD 4632-1 should be used to submit tenders for bills to be maintained on the book-entry records of the Department of the Treasury.

Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. 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.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positio

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with respect to Government securities and borrowings thereon may submit tenders for account of customers, provided the names of the customers are set forth in such tenders. Others will not be permitted to submit tenders except for their own account.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment will be made for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities, for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, or for definitive bills, where authorized. A deposit of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. 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 $500,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids.

Settlement for accepted tenders for bills to be maintained on the records of Federal Reserve Banks and Branches must be made or completed at the Federal Reserve Bank or Branch on January 11, 1977, in cash or other immediately available funds or in Treasury bills maturing January 11, 1977. 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.

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 considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of bills (other than life insurance companies) issued hereunder must include in his Federal income tax return, as ordinary gain or loss, the difference between the price paid for the bills, whether on original issue or on a subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76 and 27-76, and this notice, prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars and tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt.

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Treasury.

Press releases.