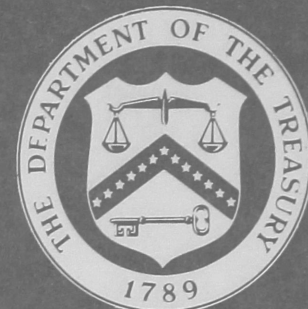




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**TREASURY DEPARTMENT**



FOR IMMEDIATE RELEASE

September 18, 1978

## RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for \$2,200 million of 13-week Treasury bills and for \$3,400 million of 26-week Treasury bills, both series to be issued on September 21, 1978, were accepted at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:		13-week bills maturing December 21, 1978			:	26-week bills maturing March 22, 1979		
	Price	Discount Rate	Investment Rate 1/			Price	Discount Rate	Investment Rate 1/
High	98.014 <u>a/</u>	7.857%	8.13%	:		95.971 <u>b/</u>	7.969%	8.42%
Low	98.002	7.904%	8.18%	:		95.962	7.987%	8.44%
Average	98.007	7.884%	8.16%	:		95.966	7.979%	8.43%

a/ Excepting 1 tender of \$10,000

b/ Excepting 1 tender of \$10,000

Tenders at the low price for the 13-week bills were allotted 92%.

Tenders at the low price for the 26-week bills were allotted 50%.

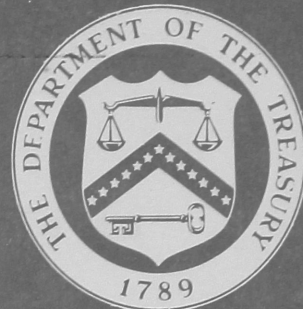
## TOTAL TENDERS RECEIVED AND ACCEPTED BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted	:	Received	Accepted
Boston	\$ 23,525,000	\$ 22,525,000	:	\$ 25,700,000	\$ 10,540,000
New York	3,347,880,000	1,858,560,000	:	5,365,380,000	3,059,520,000
Philadelphia	15,670,000	15,670,000	:	7,990,000	7,490,000
Cleveland	27,890,000	27,890,000	:	99,145,000	13,025,000
Richmond	25,190,000	25,190,000	:	24,420,000	12,420,000
Atlanta	24,290,000	24,290,000	:	14,680,000	13,180,000
Chicago	166,915,000	71,915,000	:	316,300,000	186,300,000
St. Louis	34,105,000	20,105,000	:	27,240,000	11,240,000
Minneapolis	4,795,000	4,795,000	:	54,620,000	27,620,000
Kansas City	37,970,000	37,970,000	:	33,760,000	16,080,000
Dallas	14,375,000	14,375,000	:	6,890,000	4,890,000
San Francisco	166,905,000	71,705,000	:	205,145,000	30,145,000
Treasury	<u>5,040,000</u>	<u>5,040,000</u>	:	<u>7,875,000</u>	<u>7,875,000</u>
TOTALS	\$3,894,550,000	\$2,200,030,000 <u>c/</u>	:	\$6,189,145,000	\$3,400,325,000 <u>d/</u>

c/ Includes \$335,520,000 noncompetitive tenders from the public.

d/ Includes \$186,925,000 noncompetitive tenders from the public.

1/ Equivalent coupon-issue yield.



REMARKS BY THE HONORABLE  
BETTE B. ANDERSON  
UNDER SECRETARY OF THE TREASURY  
BEFORE THE  
SIXTH ANNUAL CONFERENCE  
NATIONAL ASSOCIATION OF FOREIGN-TRADE ZONES  
HONOLULU, HAWAII  
SEPTEMBER 18, 1978

Governor Ariyoshi, Mr. Maxey, ladies and gentlemen:

One needs no special reason to be happy in Hawaii. However, I am particularly pleased to be here with you today. I know how deeply Senator Inouye regrets being unable to join you, and I am grateful to him for asking me to speak in his place.

Hawaii and the U.S. Treasury Department's Customs Service, which I have the honor to represent today, have something in common. About the time that Customs was establishing America's first source of revenue, King Ka-may-a-maya the First was welding this magnificent chain of islands into a single, viable political unit. And one of his first acts, after proclaiming the Kingdom of Hawaii in 1795, was to decree that duties be imposed on all shipping and on all goods landing here. His Customs Service, I am told, was somewhat less formal than ours. His collectors were paddled out to incoming ships in out-rigger canoes. Customs duties were determined by the collector's mood at the moment. Nevertheless, Customs revenues helped to finance Hawaii, just as they did the mainland!

Today's Hawaii seems a most appropriate setting for this sixth annual conference of the NAFTAZ, and not just because of its scenic splendor.

Foreign Trade Zone Nine at Honolulu, and its sub-zone at Ewa, provide the largest volume of merchandise movement in the United States. During Fiscal 1977, Zone Nine received a total of 4,702 short tons valued at \$13,549,233, and forwarded a total of 4,153 short tons valued at \$12,152,015. The zone handled 204 different commodities from 36 countries of origin. It served some 206 business firms, of which 97 occupied zone facilities on a continuous basis. Sponsored by the state's Department of Planning and Economic Development, the Honolulu zone consists of more than 235,000 square feet of terminal space for warehousing, exhibition, and processing. Its subzone is a petroleum refinery. I understand the State of Hawaii, as grantee, is proceeding with plans to move the zone to the Diamond Head Terminal at Pier Two, Honolulu Harbor, before the end of 1980.

The development and progress of the Hawaiian Foreign-Trade Zone is consistent with the progress of these comprehensive special U.S. Customs Service facilities at ports of entry throughout the United States.

I would like to talk with you today about Treasury's role in the FTZ concept.

In doing so, I feel rather like the survivor of the Johnstown flood who made his mark in life lecturing about that 1889 debacle.

When he passed through the pearly gates, he asked St. Peter if he might contribute his expertise to the occupants of heaven. Obliging, St. Peter prepared the celestial lecture hall, and informed the speaker that he had a packed house. "However," St. Peter Cautioned, just seconds before the speech was to begin, "I think you ought to know that Noah is in the audience."

I am certain we have many Noahs in the audience today!

During the fiscal year 1977, FTZ activity involving 900 firms rose by 30 percent over the previous fiscal year. Existing zones reported a total of \$663 million in goods received, compared with \$507 million in fiscal 1976. Merchandise shipped from FTZs amounted in value to \$598 million, compared with \$468 million in the previous fiscal year. Obviously, the advantages of FTZs, including the prestige they lend to an industrial development area, are apparent to you all.

For those of you who may not be familiar with the Customs Service's role regarding FTZs, allow me to explain. Foreign-trade zones are enclosed areas which are considered to lie outside U.S. Customs territory. You might say they are the domestic versions of what are known internationally as free-trade zones.

As a matter of fact, they owe their origin to the free ports that existed in Northern Europe in the medieval days of the Hanseatic League. Cities participating in that historical trading union had special status that placed them outside the customs jurisdictions of their national governments. When these privileges were later withdrawn, sites known as "free-trade zones" were established within port areas. But it wasn't until 1934 that the United States Congress authorized similar areas within this country. It chose to call them "foreign-trade zones."

Our FTZs are located in or near U.S. Customs ports of entry, and are operated as public utilities by qualified corporations under Customs supervision. Authority for establishing these rapidly proliferating facilities is granted by the Foreign-Trade Zones Board, with Customs approval, under the Foreign-Trade Zone Act of 1934. The board has its headquarters within the U.S. Department of Commerce in Washington, D.C.

The advantage of foreign-trade zones are many. Chief among them is the fact that foreign goods may enter their areas duty- and quota-free for an unlimited period of time. These goods may

be stored, assembled, combined with domestic or other foreign materials, used in manufacturing processes, or exhibited. Domestic merchandise moved into FTZs for export are considered to be already exported for purposes of excise tax rebates and drawback.

Thus, FTZs encourage international commerce while providing jobs for American labor.

Allow me to repeat -- formal U.S. Customs entry procedures and payment of duties on imported merchandise are not required unless and until that merchandise enters U.S. Customs territory for domestic consumption.

When that is the case, the importer has the choice of paying duties either on the original foreign materials -- in which case he must file a request with Customs for "privileged" treatment -- or on the end product -- in which case the components or materials used are "nonprivileged."

Most often, importers request privileged treatment, since the Customs duty on the end product is higher than on its components. Important exceptions include motorcycles, typewriters, computers, and automobiles.

With more and more foreign firms electing to manufacture or assemble their products in U.S. FTZs for American consumption, these exceptions have raised an issue that the U.S. Customs Service is now examining.

When these end products are produced, the present appraisement practice requires that labor and overhead costs incurred, and profit realized, be allocated between the privileged and nonprivileged components according to their relative values. These allocated costs are then included in the dutiable value of the article when it enters U.S. Customs territory.

In response to a rulemaking petition from the National Association of Foreign-Trade Zones, the U.S. Customs Service will issue, in the near future, an advance notice of proposed rulemaking soliciting comments regarding the advisability of continuing the appraisement practice.

Fiscal 1977 saw nine more communities added to the ever-growing list of foreign-trade zones. At the year's end, there were foreign-trade zones at 28 U.S. ports in 22 states. Today, 35 port communities have active zones.

As costs of locating assembly and industrial operations in the United States become increasingly favorable for firms engaged in international trade, exports from U.S. FTZs are expected to grow at an even greater rate.

World trade has multiplied almost ten-fold since the post-World War II period. Figures for 1951 were around \$76 billion. By 1976 they were \$800 billion. Probably the greatest stimulation to international trade came from the Truman Doctrine, the Four Point Program, the Marshall Plan, and the aid the United States gave to Europe and the world in general following that war. Here at home, United States trade has increased from \$35 billion in 1960 to \$270 billion in 1977. Estimates are that it will increase to \$300 billion by 1980.

Trade is no longer a matter of transferring raw materials and basic commodities. Today it involves transnational shipments of sophisticated and complex products and components. Where slightly more than a decade ago U.S. Customs was collecting \$1.5 billion in revenues annually, it now collects more than \$7 billion.

Despite this tremendous growth in volume, Customs has, for many years, had to cope with antiquated laws which impede its modernization and delay the introduction of automated procedures designed to speed up commercial transactions.

The last major piece of legislation dealing with Customs administrative reform was enacted more than twenty years ago. Since that time the value of imports and the amount of duty collected have increased five-fold. Entries have tripled, from 1.1 million in 1956 to 3.4 million in 1976. Entries processed now average more than 2,600 per Customs import specialist per year -- an increase of 94 percent over the past twenty years.

But today finds us at the threshold of a new and more progressive era. The Customs Procedural Reform Bill -- the most comprehensive overhaul of U.S. Customs laws in a generation -- has cleared a conference committee of the Senate and House of Representatives, and is expected to win final Congressional approval any day now.

For the FTZ user who imports foreign goods into the United States, the bill, when enacted into law, presents many attractive facets.

For instance, it will permit Customs to release goods to importers immediately upon presentation of appropriate entry documents. It will enable Customs to adopt a long-planned automatic merchandise-processing and revenue-collecting system that will speed up delivery of merchandise to importers, reduce paperwork, cut the number of financial transactions, and provide faster and more accurate statistical data.

Section 592 of the Tariff Act of 1930 will be amended to remove the harsh initial penalty assessments now levied on importers for negligence, gross or simple, and to bar any penalty for non-negligent clerical errors or mistakes of fact. It will also place on the Government the burden of proof in fraud cases, and give the courts a greater role in penalty rulings.

Those of you who import, or who deal with importers, will know that the importing community -- including major U.S. corporations -- have long protested the exorbitant penalties -- some of them in the millions -- imposed for relatively minor entry errors, and the fact that normal judicial redress has been denied those penalized.

Under the bill shortly to be enacted into law, the Government will have to show proof of fraud through a preponderance of the evidence, rather than through so-called, "clear and convincing" evidence, as is now the case.

One of the major obstacles to Customs adoption of modern merchandise-processing methods has been the requirement that each importation be represented by a separate entry document accompanied by payment of the estimated duties owed on the merchandise when it comes into Customs territory. Each entry must then be processed separately and a separate bill for additional duties or refund checks for overpayment has to be prepared and mailed to the importer. Obviously, this results in an avalanche of paperwork, plus substantial administrative costs and burdens on Customs, the importers, and the importers' agents, the customhouse brokers.

The new Customs law will alleviate this situation by permitting the separation of the entry and reporting process from the duty-collection process. Importers could take delivery of their importations by providing Customs with necessary documents. Within a specified time, the importer will be required to supply details of the importation and pay the duties. The practical effect of this new procedure will be to compress the many individual duty payments into single, weekly payments, provide immediate delivery of imported goods, and improve the quality of import statistics.

The new Customs law would also enable Customs to introduce full-scale implementation of its Automated Merchandise Processing System, commonly referred to as AMPS. This computerized entry filing system monitors information on entries, liquidations, and duty collections. It produces data used for control of warehouse inventory, in-bond shipments, importers' accounts, and merchandise quotas, thus simplifying importers' and Customs' bookkeeping, and providing more accurate and reliable data to the Bureau of the Census.

Many other facets of the Customs Procedural Reform Bill will benefit importers using foreign-trade zone facilities. In fact, the bill itself represents the culmination of cooperative efforts of the Customs Service, the importing community, and Congress.

I might add that other provisions of the bill will delight those of you who combine business with pleasure on your trips abroad. The duty-free allowance on articles bought overseas will

increase with passage of the Customs Procedural Reform law to \$300 from foreign countries and \$600 from insular possessions of the United States.

The Customs Procedural Reform bill, when passed, will further accelerate Customs' current efforts to establish increased rapport between the Service and the importing community.

One result of this intensified dialogue has been the improved and streamlined procedures introduced by Customs for handling "hot" quota entries. These are now moved through the various Customhouse work stations at greater speeds than ever before, allowing brokers more rapid and reliable feedback as to the status of these important items.

Another vital subject under discussion at meetings between Customs and the trading community is improved cash flow for brokers, importers, and the Service itself.

Meetings between Customs officials and importers have led to a new procedure for expediting the release of containerized cargo. Containers are now examined at ground level and released before the arrival of the importer's conveyance. Thus, demurrage costs and handling expenses are reduced and the importers are able to obtain their merchandise more quickly.

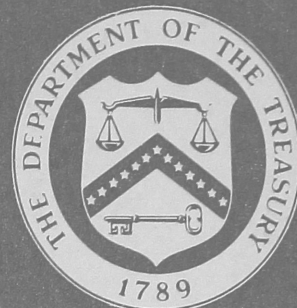
With advanced technology and modern management concepts, the 189-year-old U.S. Customs Service is rapidly becoming a computerized and cost-effective organization.

During Fiscal 1977, Customs processed \$150 billion worth of imported merchandise at a cost to the taxpayer of only \$6 for every \$100 collected.

Clearly, the Treasury Department is keeping abreast with the momentum of modern business. We want, as well, to keep in close contact with the progress, and the problems, of the individuals involved in commerce and trade.

That is why we welcome opportunities such as this to meet with representatives of trade associations.

I know I have profited from being with you today, and I hope I have added something worthwhile to your meeting. It certainly has been a great pleasure for me to be here, and I thank you so much.



FOR RELEASE ON DELIVERY  
EXPECTED AT 9:30 A.M.  
September 19, 1978

TESTIMONY OF THE HONORABLE ROGER C. ALTMAN  
ASSISTANT SECRETARY OF THE TREASURY  
BEFORE THE SUBCOMMITTEE ON ENERGY AND  
POWER OF THE HOUSE INTERSTATE AND  
FOREIGN COMMERCE COMMITTEE

Mr. Chairman and Members of the Subcommittee:

I am pleased to present the views of the Treasury Department on H.R. 13931, the "Pacific Northwest Electric Power Planning and Conservation Act."

The Administration's general position on H.R. 13931 is set forth in the testimony this morning of the representative of the Department of Energy. I will comment in more detail on the financial structure of the bill. Specifically, my comments will be confined to the debt financing and tax provisions of sections 6, 8, and 9 of H.R. 13931.

The Treasury's major concern with sections 6, 8, and 9 is that they would result in Federal guarantees of tax-exempt obligations issued by state or local governments. That is,

--Section 6(b) would authorize the Bonneville Power Administration (BPA) to contract to purchase electric power resources from non-Federal entities, which would include state and local governments. Thus, private holders of state and local bonds issued to construct electric power facilities could be guaranteed that the Federal government would provide the funds to pay off the bonds.

- Section 6(f) would authorize BPA to enter into agreements with such entities "to fund or secure debt incurred in the investigation and initial development of such resources."
- Section 8 would amend section 13 of the Federal Columbia River Transmission System Act (which currently contains limited authority for BPA to borrow from Treasury to finance the construction of the BPA transmission system) to authorize unlimited authority for BPA to borrow from Treasury to finance contracts and agreements entered into under sections 6(b) and 6(f). Thus, private holders of bonds secured by such contracts and agreements could be assured that Treasury funds would be available to the extent required to make timely payment of principal and interest on the bonds.
- Section 9(e) would confer on the BPA Administrator authority to exempt from Federal income taxes the interest on obligations issued by state or local governments to finance construction of facilities for production of electric power for purchase by BPA. Thus, the Federal guarantees provided under sections 6 and 8 could be extended to tax-exempt debt.

The Administrator is authorized under section 9(e) to designate tax-exempt status if he determines that the electrical energy acquired from the facility "will not be utilized over the life of the project in whole or in major part by a person who is not an exempt person." The term "exempt person" is defined by the Internal Revenue Code to mean generally a state or local governmental unit or a tax-exempt organization.

The effect of section 9(e) is to amend the Internal Revenue Code indirectly by permitting tax-exempt financing of municipal electric utilities which construct generating facilities to supply power to BPA. In the absence of this section, if H.R. 13931 were to become law, the revised structure of BPA financing would deny availability of such tax-exempt financing.

This denial arises because the Federal tax laws providing and interpreting tax-exempt interest generally preclude the grant of tax-exempt interest coupled with the backing of Federal credit. BPA is a Federal agency, and under H.R. 13931 BPA would support bonds issued by municipal electric utilities selling to BPA under an arrangement where BPA agreement to purchase the power supported the credit behind the bonds. Under current tax rules, this arrangement would preclude the grant of tax-exempt status to those bonds.

It is important to understand why tax exemption and Federal backing should not be granted to the same obligations. The prohibition against Federal backing of tax-exempt obligations is a longstanding policy of great importance. Placing the credit of the United States behind an obligation that is exempt from Federal taxation creates a security that is superior to direct obligations issued by the U.S. Treasury. Thus, the existence of Federally-backed tax-exempt obligations could create serious Federal debt management problems. In addition, Federal guarantee of tax-exempt obligations creates a security that is superior to all other tax-exempt securities issued by state and local governments. This adds to pressures on tax-exempt markets and consequently tends to increase the borrowing costs of schools, roads, hospitals, and other essential public facilities.

It is generally recognized that tax exemption of municipal bonds is an inefficient means of public financing, because the revenue loss to the Federal Treasury greatly exceeds the interest savings to the municipal borrower. Consequently, it is much more efficient to finance Federal programs with taxable bonds. Accordingly, the Public Debt Act of 1941 prohibits the exemption of interest on Treasury or Federal agency debt from Federal income taxes. Consistent with the spirit of that Act, Congress has generally determined in recent years that Federal guarantees should not be used to finance Federal programs indirectly with tax-exempt bonds. Attached to my statement is a list of 15 statutes enacted since 1970 which prohibit Federal guarantees of tax-exempt obligations.

Recently, Congress rejected this double benefit -- both the tax exemption and the Federal guarantee -- in the case of the New York City Financial Assistance Act. The Congress determined that it was inappropriate to provide New York City with this double benefit, even in connection with a program necessary to insure the City's financial survival.

It should also be noted that this is not the first time that an issue involving BPA has arisen in connection with the rules of tax-exempt interest that relate to Federal guarantees. In 1972, a Treasury regulation interpreting the provision in question was issued with generous grandfathering rules specifically protecting BPA's plans at that time. Special consideration was given to BPA since it had relied on a proposed regulation that would have taken the opposite position. The principle enunciated in the Treasury regulation represents sound policy, and should not be overruled.

We would also like to direct your attention to other more technical problems raised by section 9(e). As previously mentioned, this section would permit the Administrator of BPA to designate which bonds are to be accorded tax-exempt status. We would much prefer to rely on more traditional means for determining tax-exempt status of debt instruments. Ordinarily, rules for determining tax-exempt status are specified by statute and regulations. It is compliance with such rules, and not the designation of any particular individual, that determines tax exemption. This allows the Federal tax laws to be administered in a uniform manner by the Internal Revenue Service.

We would also note that section 9(e), should it become law, would be a highly technical provision upon which great reliance will be placed for guidance. Therefore, considerable attention must be devoted to minimizing ambiguity and uncertainty. For example, it is unclear whose "debt obligations" are meant to be covered, in what manner obligations are not to be "affected", what "resources" are included and how they are "constructed", and so on. Precise statutory language is extremely important to provide guidance to bond issuers and to allow for ease of administration.

I would like to turn now to the interest rate provisions of section 8 of H.R. 13931.

Under section 13 of the Federal Columbia River Transmission System Act of 1974, BPA borrowings from Treasury are to bear interest rates comparable to rates prevailing in the market for "similar bonds". The Treasury has determined under the 1974 Act that the interest rate on BPA's long-term borrowings from the Treasury will be based on current market rates on the highest quality (triple-A) utility bonds.

Section 8 of the bill would amend section 13 of the Act to put a ceiling on the interest rate on BPA borrowings from the Secretary of the Treasury equal to the rate that would be charged if BPA borrowed from the Federal Financing Bank (FFB). The FFB is an agency established within the Treasury by the Federal Financing Bank Act of 1973. Currently the FFB lends to other Federal agencies at an interest rate one-eighth of one percent above the Treasury's own market borrowing rate.

Consequently the FFB rate is generally somewhat lower than the triple-A utility bond rate, and section 8 of the bill would result in some reduction in BPA's cost of borrowing. For example, if BPA had borrowed from the Treasury last week the interest rate, would have been about 8-5/8 percent on the basis of triple-A utility bond rates and about 8-1/2 percent based on the FFB rate. This spread of 1/8 of one percent between the triple-A rate and the FFB rate is somewhat smaller than normal at this time in part because of the current relatively light volume of corporate bond issues. A more normal spread might be about 1/4 of one percent or slightly more.

The Administration is opposed to section 8 of H.R. 13931 and supports the concept in the 1974 Act that BPA financing should be on a basis comparable to the private utility industry. However, to avoid confusion as to the interpretation of the 1974 Act the Administration has recommended that section 13 of the Act be amended to tie the interest charged BPA to market yields for triple-A rated non-Government utility bonds. This would be consistent with our current practice, and the Treasury Department urges adoption of this recommendation.

I should also note that the interest rate language proposed in section 8 of H.R. 13931 is unclear. While setting the FFB rate as a ceiling, it would require the Treasury "to provide for a rate comparable to the rates prevailing in the market for similar bonds issued by Government corporations...". The bill does not indicate which Government corporations' bonds should be used for comparison. Also, trading is thin and price quotations are often unreliable in the securities market on marketable bonds that were issued by Federal agencies prior to the establishment of the FFB. In any event, those rates would be likely to be higher than the FFB rate. In addition, BPA bonds would be unique in that the legislation would also require the Secretary of the Treasury to take into account "financing practices of the utility industry" when setting the terms and conditions on the BPA loans. Utility industry practices include setting the redemption value of the bonds on specified call dates when the loan is made rather than pricing them at market value on the redemption date, which is the FFB's usual requirement.

Finally, in keeping with the provisions of the Congressional Budget Act of 1974, the Administration believes that the authorization of unlimited authority for BPA to borrow from the Treasury under section 8 of the bill should be amended to authorize borrowing in such amounts as may be provided from time to time in appropriation acts.

In summary, Mr. Chairman, the provisions of sections 6, 8, and 9 of H.R. 13931 as presently drafted would result in very inefficient financing, and the Treasury Department recommends against the enactment of those provisions.

I would be happy to try to answer any questions.

Statutes which preclude Federal guarantees of  
tax-exempt obligations

Loans for modernization and construction of hospitals and other medical facilities; P.L. 91-296, June 30, 1970, 42 U.S.C. 291j-7(e). 1/2/3/

New Community debentures; P.L. 91-609, December 31, 1970, 42 U.S.C. 4514. 2/3/

Water and waste facility loans sold out of the Agricultural Credit Insurance Fund; P.L. 91-617, December 31, 1970, 7 U.S.C. 1926(a)(1). 2/3/

Farm Credit Administration member institution guarantees; P.L. 92-181, December 10, 1971, 12 U.S.C. 2204.

Academic facilities loan insurance, P.L. 92-318, June 23, 1972, 20 U.S.C. 1132c-5.

Washington Metropolitan Area Transit Authority obligations; P.L. 92-349 July 13, 1972, D.C. Code 1-1441 note. 2/3/

Loans sold out of the Rural Development Insurance Fund; P.L. 92-419, August 30, 1972, 7 U.S.C. 1929a(h). 2/

Vocational rehabilitation facilities mortgages; P.L. 93-112, September 26, 1973, 29 U.S.C. 773(c).

National Railroad Passenger Corporation guaranteed obligations; P.L. 93-146, November 3, 1973, 45 U.S.C. 602(g).

Loan guarantees for initial operating costs of health maintenance organizations; P.L. 93-222, December 29, 1973, 42 U.S.C. 300e-(c)(3). 2/

Loan guarantees to assist the economic development of Indians and Indian organizations; P.L. 93-262, April 12, 1974, 25 U.S.C. 1451.

State housing finance and State development agency obligations; section 802 of P.L. 93-383, August 22, 1974, 42 U.S.C. 1440. 2/3/

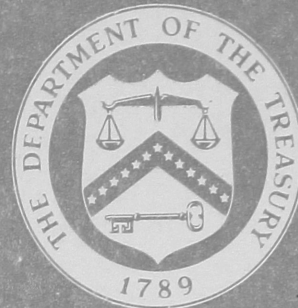
Guarantees of obligations issued by coastal State and local governments to finance projects associated with the development of Outer Continental Shelf energy resources; section 7 of P.L. 94-370, July 26, 1976, 16 U.S.C. 1456a. 2/3/

Guarantees of Virgin Islands Bonds; P.L. 94-392, August 19, 1976, 48 U.S.C. 1574(a). 2/

Loan guarantee program for acquisition of property (urban renewal); section 108 of P.L. 93-383 as amended by P.L. 95-128, October 12, 1977, 42 U.S.C. 5308. 2/3/

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Superceded by P.L. 93-641, January 4, 1975, 42 U.S.C. 300q.  
Statutes which authorize guarantees of taxable municipal obligations.  
Statutes which authorize interest subsidies on guaranteed taxable municipals.



FOR RELEASE AT 4:00 P.M.

September 19, 1978

**TREASURY'S WEEKLY BILL OFFERING**

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately \$5,700 million, to be issued September 28, 1978. This offering will not provide new cash for the Treasury as the maturing bills are outstanding in the amount of \$5,709 million. The two series offered are as follows:

91-day bills (to maturity date) for approximately \$2,300 million, representing an additional amount of bills dated June 29, 1978, and to mature December 28, 1978 (CUSIP No. 912793 V2 9), originally issued in the amount of \$3,403 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately \$3,400 million to be dated September 28, 1978, and to mature March 29, 1979 (CUSIP No. 912793 X6 8).

Both series of bills will be issued for cash and in exchange for Treasury bills maturing September 28, 1978. Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold \$3,532 million of the maturing bills. These accounts may exchange bills they hold for the bills now being offered at the weighted average prices of accepted competitive 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, both series of bills will be issued entirely in book-entry form in a minimum amount of \$10,000 and in any higher \$5,000 multiple, 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 Daylight Saving time, Monday, September 25, 1978. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) 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 in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders 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 on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

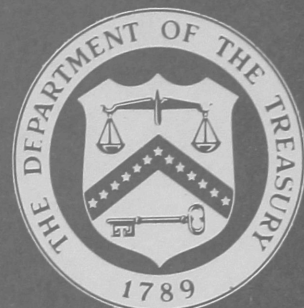
No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, or for bills issued in bearer form, where authorized. A deposit 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. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action 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 weighted average price (in three decimals) of accepted competitive bids for the respective issues.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, and bills issued in bearer form must be made or completed at the Federal Reserve Bank or Branch or at the Bureau of the Public Debt on September 28, 1978, in cash or other immediately available funds or in Treasury bills maturing September 28, 1978. Cash adjustments will be made for differences between the par value of the 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 these bills 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 these bills (other than life insurance companies) must include in his or her 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 Circulars, No. 418 (current revision), 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.



FOR IMMEDIATE RELEASE  
September 19, 1978

Contact: Alvin Hattal  
Phone: (202) 566-8381

TREASURY DEPARTMENT ANNOUNCES  
FINAL COUNTERVAILING DUTY  
DETERMINATION ON ELECTRICAL  
SOUND EQUIPMENT AND ELECTRONIC  
MUSICAL INSTRUMENTS FROM JAPAN

The Treasury Department today announced its final determination that exports of electrical sound equipment and electronic musical instruments do not receive benefits from the Government of Japan that constitute bounties or grants under the Countervailing Duty Law.

The Countervailing Duty Law requires the Secretary of the Treasury to collect an additional duty equal to any "bounty or grant" (subsidy) paid on merchandise exported to the United States.

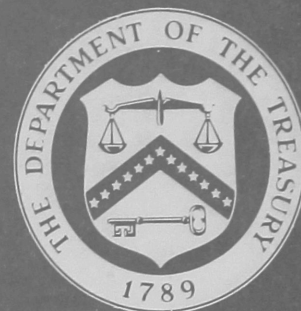
The only program alleged to be a subsidy relates to the forgiveness of the Japanese commodity tax on exports. Treasury has held consistently that the non-excessive rebate or remission of such indirect taxes, which are directly related to an exported product, does not constitute a bounty or grant. Treasury's position was recently sustained by the Supreme Court in the Zenith case.

Evidence developed during the investigation showed no indication that the forgiveness of the Japanese commodity tax upon export was excessive or otherwise operated in such a way as to be considered a subsidy.

Notice of this determination appears in the Federal Register on September 19, 1978.

Imports of this merchandise from Japan were valued at approximately \$100 million during the first half of 1977.

\* \* \* \* \*



FOR RELEASE AT 4:00 P.M.

September 19, 1978

**TREASURY TO AUCTION \$1,500 MILLION OF 15-YEAR 1-MONTH BONDS**

The Department of the Treasury will auction \$1,500 million of 15-year 1-month bonds to raise new cash. Additional amounts of the bonds may be issued to Federal Reserve Banks as agents of foreign and international monetary authorities at the average price of accepted competitive tenders.

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

o0o

Attachment

B-1175

(over)

HIGHLIGHTS OF TREASURY  
OFFERING TO THE PUBLIC  
OF 15-YEAR 1-MONTH BONDS  
TO BE ISSUED OCTOBER 10, 1978  
September 19, 1978

Amount Offered:

To the public..... \$1,500 million

Description of Security:

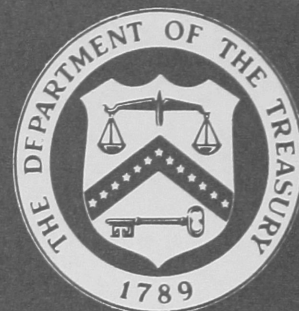
Term and type of security.....	15-year 1-month bonds
Series and CUSIP designation.....	Bonds of 1993 (CUSIP No. 912810 CD 8)
Maturity date.....	November 15, 1993
Call date.....	No provision
Interest coupon rate.....	To be determined based on the average of accepted bids
Investment yield.....	To be determined at auction
Premium or discount.....	To be determined after auction
Interest payment dates.....	May 15 and November 15 (first payment on May 15, 1979)
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.....	Wednesday, September 27, 1978, by 1:30 p.m., EDST
Settlement date (final payment due)	
a) cash or Federal funds.....	Tuesday, October 10, 1978
b) check drawn on bank within FRB district where submitted.....	Thursday, October 5, 1978
c) check drawn on bank outside FRB district where submitted.....	Wednesday, October 4, 1978
Delivery date for coupon securities.	Tuesday, October 10, 1978



FOR RELEASE UPON DELIVERY  
EXPECTED AT 9:30 A.M.  
THURSDAY, SEPTEMBER 21, 1978

STATEMENT OF THE HONORABLE DANIEL H. BRILL  
ASSISTANT SECRETARY OF THE TREASURY FOR ECONOMIC POLICY  
BEFORE THE  
SUBCOMMITTEE ON COMMERCE, CONSUMER, AND MONETARY AFFAIRS  
OF THE HOUSE COMMITTEE ON GOVERNMENT OPERATIONS

Mr. Chairman and Members of this distinguished Committee:

It is a pleasure for me to testify today regarding the survey of foreign portfolio investment the Department of the Treasury will be conducting under the International Investment Survey Act of 1976. We welcome your interest in this survey and hope we can respond adequately to the thoughtful questions you have raised.

BACKGROUND

On October 11, 1976, the President signed into law the International Investment Survey Act of 1976 (the Act), which requires the collection and analyses of data relating to international investment and its effect upon the national security, commerce, employment, inflation, general welfare, and foreign policy of the United States. In Section 2 of Executive Order 11961 dated January 19, 1977, the President

B-1176

designated the Secretary of the Treasury as the federal executive responsible for collecting the required data on portfolio investment. The Act requires a benchmark survey of foreign portfolio investment in the United States be conducted at least once every five years.

(The last such survey was conducted in 1975, and the results submitted to the Congress in 1976.) In addition, a survey of United States portfolio investment abroad is required to be completed not later than five years after the date of enactment of the Act--October 1981.

The Department of the Treasury has for some time been engaged in consultation with the two Congressional committees which have legislative jurisdiction over the Act--the Senate Committee on Commerce, Science and Transportation, and the House Committee on International Relations. These consultations, covering Treasury's data collection and analysis programs mandated by the Act, were initiated by the previous administration and are being continued by this Administration.

I cannot discuss or comment on the substance of these Congressional consultations as regards the previous administration, since I have only seen copies of certain correspondence which occurred during that time. However,

shortly after my arrival I became aware of, and concerned with, Treasury's obligations under the Act and began discussions with the appropriate committee members and staff to insure that our Congressional mandate would be carried out in a responsible manner.

As a result of these discussions, we agreed that the first order of business was to get underway on a survey of foreign portfolio investment in the United States. Taking into account several factors, such as the specific time of the year when respondents are able to provide the information requested, the length of time it takes to develop questionnaires and to process and analyze the data, and the requirement to complete the entire process within a five-year period, it was agreed that our planning would be directed at conducting the "inward" survey, i.e., the survey of investment in the U.S. by year-end 1978.

This agreement has dominated our planning and preparation this year. Our objective has been to have the questionnaire in respondents' hands early in the autumn of this year in order to permit them to prepare their data assembly procedures before the reporting date. It is the experience of all who have participated in large surveys

such as this that ex post recreation of the required data is an expensive and faulty approach. Our intent has been to afford respondents a minimum of two months before the "as of" date to insure that their planning will permit full and accurate reporting in all the necessary detail.

It is important that the data to be collected refer to an accepted balance sheet reporting date, specifically to a year-end date. This will enable respondents to gather the most complete detail, and it will provide data that can be compared to other economic information of similar timing. If we should miss the year-end 1978 date, therefore, it is likely that the survey would be delayed by a full year, and raises serious question as to the likelihood of conforming to the other reporting requirements under the Act.

In addition to the planning for the "inward" survey, we have agreed to conduct an extensive study of alternatives for conducting the required survey of United States portfolio investment abroad, i.e., the "outward" survey. It is some 35 years since the last full survey of U.S. portfolio investment abroad, and in conducting such a survey now we are entering relatively uncharted waters. Before embarking

on a full-scale venture, we have recommended--and the relevant Congressional committees have concurred--that we conduct feasibility studies using alternative approaches to determine the most efficient ways of collecting the desired information. We have scheduled this exploratory work for 1979, when the staff working on the "inward" survey will have completed the bulk of the preliminary work on that survey and would be free to turn to the design of collection alternatives for the outward survey. We will report to the Congress on the results of this pilot work and on the feasibility of pursuing the problem on a full scale. This scheduling will reduce the cost to the government and still permit adhering to the overall time schedule imposed by the Act. The analysis of our experimental efforts will be presented to both Congressional committees before year-end 1979.

#### THE 1978 SURVEY

The Act defines portfolio investment to be any international investment which is not direct [§3.(11)]. The Act also requires the President to conduct a comprehensive benchmark survey of foreign portfolio investment in the United States at least once every five years and which shall (among other things and to the extent he determines necessary

and feasible), determine the magnitude and aggregate value of foreign portfolio investment, form of investments, types of investors, nationality of investors and recorded residence of foreign private holders, diversification of holdings by economic sector, and holders of record [§4(c)(1)].

The Act also states that it is the intent of the Congress that information collected from the public under the Act be obtained with a minimum of burden on business and other respondents and with no unnecessary duplication of effort, consistent with the national interest in obtaining comprehensive and reliable information on international investment [§2(b)]. It further goes on to state that in collecting information under this Act, the President shall give due regard to the costs incurred by persons supplying information, as well as the costs incurred by the government, and shall insure that the information collected is only in such detail as is necessary to fulfill the stated purposes for which the information is being collected [§4(b)].

It is very clear this legislation requires that a balance between costs, burden to the public, and the need for information must be fully considered in any data

collection program carried out pursuant to the Act. We consider this to be a sound principle, with which we are in complete agreement, and we submit that our survey design appropriately takes into account these considerations.

#### Coverage

We basically considered three approaches to coverage of the survey implied by three variant definitions of "portfolio investment". These definitions are (1) the market definition, essentially stocks and bonds; (2) the balance of payments definition, which covers other long-term debt in addition to stocks and bonds (essentially the coverage of the 1974 survey of foreign portfolio investment); and (3) the definition contained in the Act, which added short-term items such as bank loans and deposits, short-term corporate claims and liabilities, and Treasury bills and certificates.

The monthly and quarterly data collected by the Treasury International Capital (TIC) surveys provide information on levels outstanding for all financial instruments except stocks and bonds and certain obscure financial items. The TIC reports give us generally good figures on the levels of foreign portfolio investment, except for securities. This

conclusion is based on the 1974 survey results and is discussed in chapter seven of that report, "Adequacy of Current Statistical Reporting Requirements". In the case of securities, we have monthly reports on transaction flows, but not on levels of foreign investment.

We took great care in obtaining advice and comments from a wide variety of persons who are knowledgeable on the subject matter, the needs for specific data, and the costs of collecting these data. The persons consulted included representatives of academia, labor, and business, in addition to the Congress, Federal executive user agencies, and the prospective respondents.

Based on comments received from all sources consulted, we elected to collect in this survey only information on levels of foreigners' securities market holdings--stocks and bonds--and to supplement these reports with data on ownership of other financial instruments collected in the existing monthly and quarterly TIC surveys. We believe this approach meets the analytic requirements of most potential users of the data, and at the same time results on a minimum burden to the public and a significant cost savings to the Federal Government.

Consultations and clearance

I would like to review our consultations outside of Treasury both before and during the clearance process for this survey.

Congressional. I mentioned earlier in this testimony that we have extensive contact with the two Congressional committees having legislative jurisdiction over the programs under the Act.

For the record, I would like to have included at this point in my testimony the following items: (1) a copy of my August 15, 1977 letter to Senator Inouye, Chairman of the Merchant Marine and Tourism Subcommittee of the Senate Committee on Commerce, Science and Transportation; (2) a copy of Senator Inouye's September 7, 1977 letter to me; (3) a copy of my September 20, 1977 letter to Senator Inouye; (4) a copy of Senator Inouye's October 14, 1977 letter to me; (5) my November 15, 1977 letter to Senator Inouye; (6) a copy of my February 7, 1978 letter to Representative Bingham, Chairman of the Subcommittee on International Economic Policy and Trade of the House Committee on International Relations; (7) a copy of Deputy Assistant Secretary Karlik's April 19, 1978 testimony before Senator Inouye's subcommittee; and (8) a copy of Deputy Assistant Secretary Karlik's April 25, 1978 testimony before Representative

Bingham's subcommittee. These documents serve as a summary of our discussions and resulting agreements with these two committees.

Academia, labor and business. Treasury requested the advice and assistance, on an informal basis, from fourteen distinguished individuals who have an interest in portfolio investment and the survey results. For the record, I wish to have included at this point in my testimony a list of these individuals.

These international investment experts were consulted during the survey design phase and two meetings were held; one January 23, 1978 and another May 8, 1978. This subcommittee has received copies of agenda and minutes of these meetings.

Respective respondents. Following OMB's revised guidelines for the clearance of statistical surveys, a notice of proposed forms and instructions was published in the Federal Register on June 13, 1978. The notice invited public comments on the proposed regulations, instructions, and forms to be received by Treasury on or before July 14, 1978. In addition to the notice published in the Federal Register, 91 business firms and organizations were directly contacted by the survey staff soliciting their comments.

These firms were sent copies of the proposed regulations, forms, and instructions on June 9, 1978. Also, a public hearing was held by Treasury on July 10, 1978. Copies of all documents and written comments developed during this process have also been made available to this subcommittee.

Executive agencies. The survey was reviewed, in detail, by the Interagency Committee on International Investment Statistics, a special ad hoc Treasury review task force, and the Commerce Department's Office of Federal Statistical Policy and Standards. In addition the survey was submitted for review and clearance to the Office of Management and Budget (OMB). OMB granted approval for conducting the survey on August 9, 1978.

Draft copies of the survey forms and instructions were sent to members of the Interagency Committee on International Investment Statistics on May 1, 1978, and were discussed at a meeting of members on May 11, 1978. Several comments, suggestions, and recommendations were received during that meeting and incorporated into the proposed draft published in the Federal Register for public comment. Members of the committee were sent a revised draft, together with a memorandum outlining the changes, and inviting further

comment on June 5, 1978. All comments and recommendations received were given serious consideration and, in fact, actually resulted in seven redrafts of the forms and instructions during the period from March 31, 1978 to July 20, 1978.

We feel that the resulting product--a survey limited to foreign portfolio investment in securities--is consistent with the spirit of the Act, satisfies most users of the statistical data, limits the cost to the Federal Government, and avoids an unreasonable burden on the reporting public. We also went beyond the minimum requirements for obtaining the clearance of a statistical survey through contacting at an early stage numerous experts and prospective respondents, covering a broad spectrum of interests, and fully considering their needs, burden, advice, and opinions.

#### Survey schedule

The survey forms and instructions are ready to be printed. In accordance with this subcommittee's request, we have delayed printing of the form. But this delay cannot extend for more than a few days without jeopardizing our commitment to the aforementioned Congressional committees to deliver a completed report on foreign portfolio investment in the United States before the end of 1980.

In order to process and analyze the survey data, integrate and analyze the TIC data, and prepare a meaningful report, the survey reports must be mailed to potential respondents prior to the reporting date. This point was repeatedly made to us during and after the comment period. On the basis of our experience with the previous survey in 1974, checking the reports filed by respondents for internal consistency, correcting errors, and compiling the data will take about a year. The current schedule calls for: (1) October 15, 1978--mailout of forms; (2) December 31, 1978--survey as of date; (3) March 31, 1979--due date for reports to be filed; (4) March 31, 1980--completion of data base; (5) April - November 1980--analysis of survey data and integration of TIC data; and (6) November 1980--final report to Congress.

SPECIFIC QUESTIONS RAISED BY THIS SUBCOMMITTEE

In accordance with the request of this subcommittee that my prepared statement reply to the questions raised in your August 18 letter of invitation, I offer the following answers. Your letter categorized the questions into six groupings: (1) survey coverage; (2) the use of TIC data; (3) survey design and implementation; (4) public comments; (5) the Commerce Department request for an additional follow-up survey; and (6) survey management. Our answers (A) to the questions (Q) are grouped accordingly.

Survey coverage

1.(Q) In the past, two of the three sensitive investments having possible major national interest implications, which were considered by the Committee on Foreign Investment in the United States, involved foreign investment in the energy sector. It will be difficult, if not impossible, to develop a policy regarding any foreign investment in the energy sector without knowing the extent of fractional interests in energy resources, including coal.

Particularly controversial and in need of analysis are foreign investment in other limited resources such as timber and land. Yet the survey specifically exempts real estate and limited and general partnership interests.

On what basis are these exclusions made?

(A) These exclusions (from the 1974 basis) were made by adhering to the basic philosophy previously detailed--that if the costs of collection were high, the survey should not gather information which could not be fully justified on the basis of its usefulness.

In the 1974 survey, conducted only four years ago, the inclusion of these items and others accounted for approximately \$285 million, or 1 percent, of the nearly \$25 billion of total foreign holdings in U. S. equity issues, and about 4 tenths of 1 percent of the total long-term portfolio investment of \$67 billion. The 1974 survey provided about 12 percent more data than it would have if that survey had been limited to current coverage, at an estimated additional cost to the Government of 15 to 25 percent and untold costs to the survey respondents. The inclusion of these items helped contribute to the heavy burden of reporting by respondents, as was indicated to us during our comment period two months ago.

Also, since all but \$285 million of the 12 percent gain reflected in 1974 is currently collected quarterly by the TIC system, collecting this additional amount of data certainly should require a clear justification of need on behalf of Federal user agencies. We feel the clearance process provided that opportunity, and to the best of our knowledge there are no outstanding unresolved issues concerning coverage

Not only would these data be expensive to collect, but they would appear to be of scant policy interests because the management control would remain with the U. S. residents holding the majority interests.

2.(Q) How much portfolio equity investment (in dollars) will likely not be covered because of these exclusions?

(A) Based on all the above mentioned considerations, consultations with outside experts, and the lack of evidence to the contrary, we estimate the relative importance of these investments have not increased significantly during the past four years.

: It is not possible to estimate the expected dollar value as of December 31, 1978.

3.(Q) Who supported or favored these exclusions and for what reasons?

(A) Generally speaking, all of those contacted during the consultation phase of the survey previously mentioned-- Congressional subcommittees, Federal user agencies, survey reporters, Interagency Committee on International Investment, Office of Federal Statistical Policy and Standards, and, ultimately, the Office of Management and Budget. The reason was essentially that the prospective utility of additional data did not justify the cost to the Government and to respondents of collecting it.

4.(Q) Were any discussions with persons involved with foreign investment in the real estate area to determine the extent of portfolio investment therein, such as mortgages, limited partnerships, syndications, etc? And if so, when did these occur, who was involved, and what was said and transpired?

(A) No discussions were held dealing specifically with the items in your questions.

We are aware of the increased interest in foreign investment in real estate. However, foreign investment in real estate is not primarily a portfolio investment issue. These investments are probably more important in magnitude and from a policy standpoint, as direct investment, where the foreigner has control over the real estate assets. For example, a foreigner may acquire real estate holdings through shares in a United States corporation. If this corporation is owned to the extent of 10 percent or more by the foreigner, the real estate holdings would be direct investment. The Commerce Department monitors direct investment in real estate. The Agriculture Department has responsibility under §4(d) of the Act to study the feasibility of establishing data collection systems to monitor foreign investment in agricultural, rural, and urban real property, including the feasibility of establishing a nationwide multipurpose land data system.

5.(Q) How much would it cost to process the survey to include the proposed exclusions?

(A) As stated above, the cost to both the Government and survey respondents would be very high.

We estimate to survey portfolio investment as broadly defined in the Act (both inward and outward surveys) would increase the actual costs to the Government by almost \$2.5 million over the next 3 years or a 43% increase.

6.(Q) While it may be true that portfolio investment in certain types of equity interests in non-corporate business entities may be minor compared to the total of other equity investments, it still may be significant, especially at the present.

(A) We have no evidence that the items to which you refer to have become more significant in relative terms since 1974, as regards foreign portfolio investment. As I mentioned above, the total amount of these investments in 1974 was \$285 million. Furthermore, of that figure, \$217 million, or 76%, was held by United States citizens residing abroad.

In 1974, their inclusion was justified since it had been 33 years since the last survey. At present, the prospective benefits do not seem to justify the additional cost.

Use of TIC data

7.(Q) How will the TIC data be integrated into the final results?

(A) The final report to Congress will contain statistical data derived from both the survey and the TIC reporting system, as well as analyses of foreign portfolio investment in the United States using the broad definition contained in the Act. The TIC data will be integrated with the survey results in order to have comprehensive information and resulting analysis of total foreign portfolio investment by country of investor, type of investment, type of foreign holder, etc.

8.(Q) At what point in time will data be used from the TIC forms?

(A) TIC data, as of December 31, 1978, will be integrated into the final report to Congress.

9.(Q) How will the linkage between the TIC reports and survey reporters be handled?

(A) The existing TIC data base and the survey data base will be linked by reporter name and identification numbers by computer.

The design of the survey data base is taking this consideration into account.

10.(Q) Since the definitions of "securities" in the B and C forms and the proposed survey are somewhat different, how

will the possibility of over-reporting be handled? Will the B and C forms contain special instructions to advise of this possibility or what other steps will be taken?

(A) The instructions to the TIC B and C reporters (current and proposed) specifically exclude the reporting of long-term securities, i.e., those having no contractual maturity (stock, for example) or a maturity of more than one year from the date of issuance. Therefore, the possibility does not exist of over-reporting of securities among the B and C forms and the proposed survey.

11.(Q) How will the same possibility with respect to the S form be handled?

(A) There is no substantive difference between the definition of securities in TIC Form S and the proposed survey definition.

12.(Q) Which specific information on the TIC forms will be integrated into the final report on the benchmark survey?

(A) All data collected on the TIC forms will be integrated into the final report on foreign portfolio investment as of December 31, 1978. The particular tabular designs used for presenting these data, as well as for the survey, are currently being analyzed. The final decisions on actual presentation of these data is scheduled to be made in a few months.

13.(Q) What revisions are being made on the C forms and how do these relate to the problems discussed by the informal advisory panel in its January 23, 1978 meeting by Dirck Keyser in his March 31, 1978 memo to Deputy Assistant Secretary Karlik?

(A) Several major problems exist in the current nonbanking forms. For one, Form C-1/2 contains no detail on types of liabilities, and the asset side shows separate detail only on foreign currency deposits. Consequently, while the data can be used for calculation of gross capital movements, the forms provide no clue as to what kinds of items are contained in the figures. At the same time, Form C-1/2 contains some detail that is no longer needed, such as a breakdown of every country line between short- and long-term items on the basis of their original maturity, and a breakdown of all short-term items between those payable in dollars and those payable in foreign currencies. Form C-3 requires the reporting of dollar and foreign currency deposits and investments in a number of foreign countries in a degree of detail which is not presently needed.

The principal features of the proposed new Treasury nonbanking forms are:

- 1) Separation of the financial liabilities and claims of reporting firms from their commercial liabilities and claims.

- 2) Adoption of time remaining to maturity as the basis of the maturity analysis of claims and liabilities, instead of the present original maturity basis.
- 3) Simplification of the monthly form to require only a single figure.
- 4) Reduction of the reporting burden by:
  - a) raising the level of the reporting exemption of the monthly form from \$2 million to \$10 million and allowing the application of the current \$2 million exemption level on the quarterly form to financial and commercial items separately;
  - b) elimination of geographical detail on the monthly form;
  - c) substantial reduction in maturity analysis detail by requiring a maturity breakdown of grand totals only rather than country by country as presently required.

The changes in the structure of the forms - particularly the separate information on different types of liabilities and claims - will greatly improve the value of the reports for analysis of international financial developments and the data

will relate more usefully to information reported by banks in the United States on other TIC forms.

14.(Q) Have the C forms reporters been matched with a list of exporters, as suggested by Dr. Bryant?

(A) This is being investigated. A list of exporters has been obtained. Our preliminary findings indicate that this may be impracticable.

15.(Q) How will borrowing by an American entity from a foreign entity be reported? Under the TIC forms (and, if so, where)? Answer this question both as to American affiliates of foreign parent and American entities with no foreign affiliation?

(A) Borrowing by an American entity from a foreign entity will be covered in the survey if the U. S. company issued long-term securities. Of course, borrowings by a U. S. company from its foreign parent, and/or the affiliated foreign group, is considered direct investment and reported to the Commerce Department. Foreign portfolio borrowings, other than through the issuance of long-term securities are reported on the TIC Forms B and C as follows:

a. B-Forms. U. S. banks (including agencies, branches and banking subsidiaries of foreign-based institutions) who borrow U. S. dollars from a foreign entity report such amounts on monthly Form BL-1 in either column 3, 6, 7, or 10 depending upon the type of foreign creditor; i.e., foreign official

institution, foreign unaffiliated bank, own foreign office, or private nonbank foreigners.

If denominated in a currency other than U. S. dollars, foreign borrowings from U. S. banks are reportable on quarterly Form BQ-2, column 1 "Banks' Own Liabilities to Foreigners."

b. C-Forms.

1. Form C-1/2: Currently U. S. nonbanking concerns (including U. S. affiliates of foreign-based firms report their borrowings from unaffiliated foreign residents in either column 1, 2, or 4, depending on the short- or long-term nature of the indebtedness, and whether the loan is payable in U. S. dollars or a foreign currency.

2. Proposed Form CQ-1. U. S. nonbanks will report their borrowings from unaffiliated foreigners as a financial liability on quarterly Form CQ-1, column 1, if payable in U. S. dollars, or in column 2, if payable in a foreign currency.

U. S. nonbanks' borrowings from affiliated foreigners are direct investment liabilities and are not reportable on TIC C-Series forms. They are, however, reported on the Department of Commerce's direct investment forms, BE-605 or BE-606.

Survey design and implementation

16.(Q) Is there any possibility of duplicative reporting of the very same securities by more than two holders of record or a holder of record and an issuer? If so, what steps are being taken to prevent that?

(A) No. Two or more U.S. holders of record may report foreign ownership of the same security issue, and possibly even by the same foreign owner, but this will only occur because two or more of their foreign accounts contained investments in the same security or because a given foreign owner could have an account with two or more U.S. holders of record. But this is not a duplication of the same data.

Also, because of changes in the FPI-1 design from that used in 1974 (i.e., accounting for all shares outstanding, accounting for the number of shares held by direct investors, and other clarifying items), it is very unlikely that a U.S. issuer would report the same investment data that will properly be reported by a U.S. holder of record. However, if it does occur, the data processing edit checks will recognize the report as being out of balance. In such cases, the discrepancies will be resolved.

17.(Q) How is the mailing list being developed?

(A) A mailing list of names and addresses is being

compiled utilizing data from the Internal Revenue Service based on the survey thresholds, and is being supplemented with other source material such as, the 1974 respondent file, the Nominee List published by the American Society of Corporate Secretaries, lists of companies traded on major stock exchanges, etc.

18. (Q) Will the Treasury Department be able to cover the entire universe? If not how much will be missed?

(A) Yes. A report, Form FPI-1, is required to be filed by every U.S. issuer of securities which, as of the latest available closing date of its accounting records, had total consolidated assets of more than \$50 million unless it is a bank. A bank is required to file if its total consolidated assets exceeded \$100 million. In addition, any firm falling below these exemption levels will be required to file if it had knowledge of foreign-ownership, or is contacted by Treasury informing it there was foreign ownership, in its securities and its total consolidated assets were \$2 million or more. Any firm with less than \$2 million of assets is exempt from filing.

A report, FPI-2, is also required from every United States person acting as a holder of record of domestic securities on behalf of foreign persons. Any U.S. holder of record

will be exempt from filing a report if the combined market value of investments in domestic securities for all its foreign customers were \$50 thousand or less as of December 31, 1978.

This, effectively, will give the universe of foreign portfolio investment in domestic securities as of December 31, 1978. The \$2 million issuer and \$50 thousand holder of record are insignificant, statistically speaking, and their exclusion is certainly prudent and proper.

19. (Q) What steps have been taken to make potential reporters aware of the duty to file a survey form?

(A) In addition to mailing forms and instructions to all companies on the mailing list (approximately 10,000) the following publicity actions will be carried out to inform potential respondents: (1) press release; (2) publication in Federal Register; (3) special mailings to trade association (i.e., American Bankers Association); and (4) special mailings to professional groups for publication in their journals (i.e., American Institute of Certified Public Accountants).

20. (Q) How were the thresholds of \$50 million (for non-bank businesses) and \$100 million (for bank businesses) arrived at? How many business enterprises, who would

otherwise be reporters, will be excluded because of these thresholds? What is the estimated total amount of such excluded investment? What industries and sectors of the economy, what types of investment, and what nationalities of investors are involved?

(A) The \$50 million and \$100 million thresholds were arrived at through analysis of 1974 survey results and consultation with both the Treasury ad hoc survey task force and the Interagency Committee on International Investment Statistics. Let me explain what these thresholds mean with regard to the reporting requirements of the survey.

In 1974 the similar thresholds were \$20 million and \$50 million, respectively. However, 72 percent of all foreign investment in voting stock was accounted for by businesses with \$1 billion of assets and 97 percent by businesses with assets of \$50 million or more. Only 3 percent of the value of foreign investment in voting stock was accounted for by businesses with assets between \$1 million (the exemption level) and \$49 million. Similar results occurred when we tested the distribution of foreign investment in debt.

Given inflation since 1974, we decided upon a \$2 million exemption level. But we could not justify a requirement that every issuer with assets of \$2 million or more should file regardless of evidence of foreign investment. Therefore,

we elected to require every issuer who had \$50 million (if a non-bank) and \$100 million (if a bank) regardless of evidence of foreign ownership to file; and businesses with assets below these thresholds, but over \$2 million, to file only if (1) they had evidence of foreign-ownership, or (2) they are contacted by Treasury informing them of foreign ownership in their securities. This is consistent with our goal to keep down the cost of the survey to both business and Government while maintaining the quality and timeliness of data collected in the survey.

No respondent who would otherwise be required to report in the survey will be excluded by the \$50 million and \$100 million thresholds.

21. (Q) The survey expressly excludes reporting of assets in U.S. trusts created by foreign individuals. The reason given is that this information is not contained on the TIC-S form. This reason seems completely irrelevant. Indicate the dollar amount of securities which will be omitted by this, the probable types of securities, the industries or sectors of the economy which will be unrepresented, and other facts which you considered in this exclusion.

(A) First, I would like to point out that the trusts created by foreign governments or corporations will be included.

These we believe to constitute the bulk of foreign trusts with significant holdings in domestic securities.

Second, we feel that using this survey to obtain an investment position for the items we currently only collect flow data - TIC Forms - in order to check and calibrate these data is relevant.

The issue of the treatment of United States trusts in the survey was discussed informally with individuals from Federal user agencies and others during the design stage of the survey. For the May 11, 1978 meeting with members of the Interagency Committee on International Investment Statistics, we placed the item on the agenda for particular attention. The consensus was to treat trusts exactly the way they are handled in the TIC S Form.

After the May 11, 1978 meeting, the survey forms and instructions were re-drafted to take into account this consensus decision. In our May 24, 1978 transmittal of the forms and instructions to the committee, we noted that as a result of the May 11 meeting the survey now treated trusts using the Form S approach. We have not received any further comments regarding this issue.

We do not know the dollar amount of securities, the probable types, or the industries or sectors of the economy which will be omitted.

Public comments

22. (Q) Why are reports being required of business entities falling above the threshold amounts when they have no evidence of foreign owners (after a verification of addresses)? What purposes are served by this?

(A) We certainly are not after verification of addresses.

This requirement is based on available evidence (the 1974 survey results) and general knowledge that the largest United States corporations are more apt to have foreign portfolio investment in their securities than are small corporations. Also, these corporations may not have evidence of foreign ownership in their securities as such; investment may be held by United States holders of record on behalf of foreigners.

Certain information (asset size, industry, market value, etc.) can only be reported by issuers, and these data are needed for all companies which have foreign investment, irrespective of whether they are aware of said investment. Therefore, the alternative would be to have U.S. issuers file only if foreigners directly owned their securities. Then, if a U.S. holder of record reported security issues it held in an "exempted" U.S. issuer on behalf of foreigners,

the U.S.. issuer would be informed by Treasury that, in fact, foreign ownership was present and a report must be filed. (This is the approach we will use for companies with assets greater than \$2 million but less than \$50 million).

The problem with using this approach for all United States issuers, given the high probability of having to request filing by most large companies, is that it would drag out the completion date, since all FPI-2 reports would have to be filed and processed before certain large U.S. issuers could be informed that they owe a report to Treasury. The more timely the final data, the more useful it is for analysis and policy making.

23. (Q) Regarding the reporting distinction between U.S. citizens residing abroad and foreign citizens residing abroad. What will the Treasury Department require of reporters in the way of reasonable efforts?

(A) Part I, DEFINITIONS, of the survey instructions contains the following definitions:

"Foreign, when used in a geographic sense, means that which is situated outside the United States or which belongs to or is characteristic of a country other than the United States."

"Person, means any individual, branch, partnership, associated groups, association, estate, trust, corporation,

or other organization (whether or not organized under the laws of any State), and any government (including a foreign government, the United States Government, a State or local government, and any agency, corporation, financial institution, or other entity or instrumentality thereof, including a government-sponsored agency)."

"Foreign person, means any person resident outside the United States or subject to the jurisdiction of a country other than the United States."

Therefore, it is clear that an individual United States citizen permanently residing abroad is a foreign person for purposes of this survey.

In addition, Part IV of the survey instructions, CLARIFICATION OF COVERAGE AND SPECIFIC SITUATIONS, states in Section C, NATIONALITY OF FOREIGN INDIVIDUALS, that Schedules A and B of Form FPI-1 and Schedule C of Form FPI-2 require a breakdown of individual holders of securities residing abroad to indicate whether the individuals are United States citizens residing abroad or foreign nationals residing abroad. This section further states that "all reasonable efforts should be made by reporters to determine whether or not the individual foreign resident is a United States national. In the absence of any contrary information, the reporter can estimate whether or not the individual is a

United States national by determining whether the individual holds a United States Social Security number."

We certainly recognize that the mere fact an individual has such a number assigned to him does not guarantee he is a United States citizen. We also realize that stockholder records of certain issuers of securities may contain a more precise indication of United States citizenship. In those cases, we want the reporter to use that information to break down holdings by foreign individuals. But, in order not to require an undue burden on the reporter, and fully considering the analytical requirements placed on this breakdown of the data, we feel the Social Security Number test is sufficient and readily available.

We feel "a reasonable effort" may vary in certain reporting situations. Any reporter who has difficulty applying these specific guidelines, as spelled-out in the instructions, will receive adequate guidance from the survey staff.

24. (Q) Will a mailing address check or a "residence" check be sufficient? If not, what records will have to be kept? If an address check is sufficient, should that not be clarified? And, more importantly, is an address check the best way to handle this?

(A) No, a mailing address check is not sufficient. Since all "foreign individuals residing abroad" will have foreign addresses, these checks could not be considered reasonable estimates of United States citizenship.

25. (Q) Should reporters be required to maintain information in their records about nationality?

(A) As stated in our answer to question 23, the concept of foreigners used in the survey, and in the balance of payments, is one of residency rather than citizenship. It may be of interest analytically, to know how many of the individuals are U.S. citizens and in which foreign countries they reside. But beyond that--for example, to know how many French citizen investors reside in Italy--we can see little value in collecting such data, especially if it requires special record keeping by United States businesses through the issuance of regulations.

26. (Q) Is there duplication of effort as regards the SEC monitoring, by way of its 13d and 13g forms, recently revised under the Domestic and Foreign Investment Disclosure Act of 1977, for disclosure of both future and past acquisitions by foreign investors? Would it be possible to exempt issuers from filing information on issues of securities where the foreign ownership was more than 5 percent by

any one individual or association of individuals and instead obtain this information from the SEC?

(A) No.

The SEC requires, by way of its 13d and 13g forms, disclosure of beneficial ownership (both domestic and foreign) whenever a person (natural or corporate) acquires 5 percent or more of the voting equity securities of a business subject to SEC regulations. Such businesses must have its securities listed on a major exchange, have more than 500 shareholders, and \$1 million in assets. These reports collect very little statistical data since that was not their intended purpose.

13d asks for name of issuer; name of person filing report; title of class of security; CUSIP number; address and telephone number, and the date of event which required the form to be filed.

The proposed 13g will collect name and address of issuer; name, address, and citizenship of person filing report; CUSIP number of security; breaks down into eight categories the type of holder (broker-dealer, bank, investment advisory, employee benefit plan, parent holding company, insurance company, investment company, and group); the number of shares owned; the percent owned; the number of shares in which the owner (1) has sole voting power,

(2) shared voting power, (3) sole power to dispose of securities, and (4) shared power to dispose of securities; and other qualitative information.

According to our analysis, only a limited number of items appear to be collected by the SEC which we also will be collecting for those companies required to complete forms under both regulations. These items are: name and address; CUSIP number of voting security; number of shares owned; and possibly one cell on Schedule A of Form FPI-1.

For those cases where a listed company with over 500 shareholders is required to file both forms we could exempt them from filing the one cell on Schedule A of Form FPI-1, but we would still need the name and address and the CUSIP number.

27. (Q) What information does the SEC not obtain which the survey would obtain and vice versa?

(A) The information the SEC does not obtain which the survey does obtain is every item on Form FPI-1 except name and address, the appropriate number of shares entered in one cell of one column of Part II of Form FPI-1, and possibly one cell in Schedule A of Form FPI-1. All other data items collected in the survey are not collected by SEC.

The information the SEC obtains which the survey does not is information on past criminal proceedings, citizenship of investor, source of funds, purpose of transactions, and other items of a similar nature.

28. (Q) What would be the extent of duplication if the SEC data is not used? (Make your best estimate.)

(A) In those limited cases where a survey reporter must also file a SEC Form 13d or 13g, we estimate the extent of duplication, expressed in terms of reporter burden, not to exceed 10 minutes.

29. (Q) Were any of the public comments included in the final survey? If so, which changes were made as a result of comments?

(A) Yes, all comments were given full and careful consideration, and were incorporated into the forms and instructions wherever justified and whenever possible.

Most of the public comments received pertained to concerns about burden, proposed due date, and clarifying the instructions and report forms for conducting the survey. Several comments requested changes in definitions contained in the Act which could not be considered. Also, certain comments were received requesting special treatment for specific reporting situations, which will be more efficiently

handled on a case-by-case basis during the survey through administrative action rather than by further complicating the survey regulations, forms, or instructions. For example, grouping of certain like securities which may be difficult to report separately under specific conditions.

Major substantive changes made to the forms and instructions as a result of public comment were:

1. The instruction that a report is required from every U.S. issuer whose assets exceed \$2 million and who has evidence of foreign ownership was changed to read "and who has knowledge of foreign ownership of its securities or who is informed by Treasury that there is foreign ownership of its securities."

2. The proposed March 1, 1979 due date was changed to March 31, 1979.

3. The term "foreign direct investor" was changed, for purposes of this survey, to "foreign parent" in order to avoid apparent confusion as evidenced by many comments.

4. The fact that we do not require a breakdown by type and country of foreign holder for bearer securities was reinforced in both instructions and forms design.

5. Common and comingled trust fund interests were added to exclusions of equity interest required to be reported.

6. Limited the requirement for holders of record to enter issue codes on Schedule C of Form FPI-2 to only those issues of private securities for which there is no CUSIP number and all public securities, irrespective of CUSIP numbers.

7. Modified the method for reporting business activity of the respondent to just a single code and percent of activity if the primary code accounts for at least 50 percent. If the primary code accounts for less than 50 percent a secondary code and percent is required.

8. Added two voluntary questions concerning reporter burden, expressed in terms of manhours and direct dollar costs expended by respondent in order to complete this mandatory survey.

Commerce Department request for follow-up survey

30. (Q) Apparently, there are some serious discrepancies in balance of payments data, and such a follow-up survey might help detect problems with the coverage of the TIC-Form S. The portfolio project office thought that the costs of a follow-up would be prohibitive. What would the specific cost be if there were a limited sample, presumably sampling the fewest number of reporters necessary for such a follow-up?

(A) I am not sure what the apparent serious discrepancies in balance of payments data are that a follow-up survey would help correct. BEA's memorandum of May 25, 1978 states

that the change between investment position in 1974 and 1978 will be caused by portfolio turnover. In order to better assess the S Form coverage, they feel four years is too long a time span to be able to accurately identify and isolate the effect of portfolio turnover.

It was the opinion of the Interagency Committee on International Investment Statistics that this issue had no bearing on the review of the 1978 survey. The issue stated in BEA's memorandum needs to be further developed and discussed within the committee to determine expected benefits, estimated costs, statistical plans for using these data to evaluate S Form coverage, and a full explanation as to why the five-year span between surveys, as provided for in the Act, is not frequent enough.

Our present option is that conducting a second survey in 1979 as BEA suggested, would produce only minor benefits in comparison with the costs incurred.

31.(Q) Would the costs depend on when the follow-up occurred?

(A) Yes.

#### Survey management

32.(Q) It appears the survey is confronted with severe managerial problems. Office space has not been provided and although employees were to be hired the first of October in

order (1) for the survey to be sent out in mid-October, (2) for programming to begin at that time, and (3) for processing to start after the first of the year, it appears that this will not be done. Would you explain during your testimony why these problems have not been resolved and what steps have been taken in the interim to resolve them?

(A) Anytime a large project is started, especially one requiring office space, furniture, telephones, personnel, and all other administrative support items not already in place, an unusual amount of effort must be expended in getting these matters resolved soon enough so as to not interfere with the project objectives and deadlines. This project is no exception.

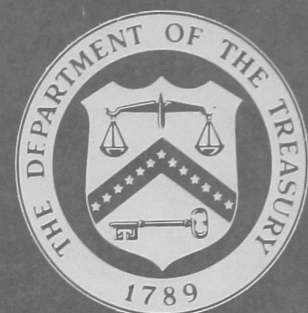
The memoranda from Mr. Maley pointing out possible delays in completing initial administrative matters according to schedules and the possible implications to the survey if these delays do in fact occur, are not unusual or unexpected. Mr. Maley's memoranda requesting assistance in assuring these matters would indeed not slide past the scheduled dates and jeopardize the project's objectives were quite proper. In fact, he would have been remiss if he had not alerted me to these potential problems.

As of today, every project deadline has been met. The office space problem has been resolved. Also, the hiring of

personnel is moving along and if it does not occur on October 1, as originally planned, it will be happening shortly thereafter; at least soon enough so as not to jeopardize the project's original objectives.

Closing statement

I hope I have provided the subcommittee with the information needed to properly assess our plans for data collection and analysis to fulfill our responsibilities. I hope all of your substantive questions regarding the 1978 survey have been answered satisfactorily. While we delayed printing of the survey forms pending these hearings as you requested, we now plan to proceed with our original survey schedule. Any further delays would make it impossible for us to fulfill our commitments to the Congress.



FOR IMMEDIATE RELEASE  
September 19, 1978

Contact: Robert E. Nipp  
202/566-5328

**TREASURY ANNOUNCES RESULTS  
OF GOLD AUCTION**

The Department of the Treasury announced that 300,000 ounces of fine gold were sold today to 6 successful bidders at prices from \$212.56 to \$213.21 per ounce, yielding an average price of \$212.76 per ounce.

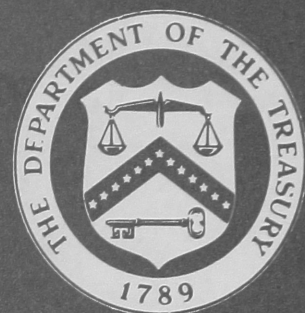
Gross proceeds from this sale were \$63.8 million. Of the proceeds, \$12.7 million will be used to retire Gold Certificates held by Federal Reserve banks. The remaining \$51.1 million will be deposited into the Treasury as a miscellaneous receipt.

These sales were made as the fifth in a series of monthly auctions being conducted by the General Services Administration on behalf of the Department of the Treasury. The next auction, at which another 300,000 ounces will be offered, will be held on October 17.

A total of 59 bids were submitted by 15 bidders for a total amount of 771,600 ounces at prices ranging from \$205.00 to \$213.21 per ounce.

The General Services Administration will release additional information, including the list of successful bidders and the amounts of gold awarded to each, after those bidders have been notified that their bids have been accepted.

\* \* \* \*



FOR IMMEDIATE RELEASE

September 20, 1978

## RESULTS OF AUCTION OF 2-YEAR NOTES

The Department of the Treasury has accepted \$2,685 million of \$5,125 million of tenders received from the public for the 2-year notes, Series T-1980, auctioned today.

The range of accepted competitive bids was as follows:

Lowest yield	8.59% <sup>1/</sup>
Highest yield	8.66%
Average yield	8.65%

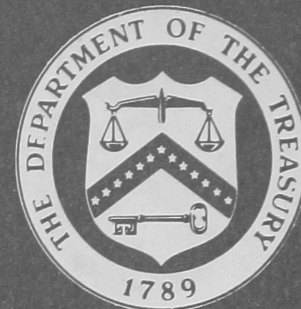
The interest rate on the notes will be 8-5/8%. At the 8-5/8% rate, the above yields result in the following prices:

Low-yield price	100.063
High-yield price	99.937
Average-yield price	99.955

The \$2,685 million of accepted tenders includes \$595 million of noncompetitive tenders and \$1,865 million of competitive tenders from private investors, including 32% of the amount of notes bid for at the high yield. It also includes \$225 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 to the \$2,685 million of tenders accepted in the auction process, \$511 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 September 30, 1978, and \$670 million of tenders were accepted at the average price from Federal Reserve Banks as agents for foreign and international monetary authorities for new cash.

<sup>1/</sup> Excepting 7 tenders totaling \$170,000



FOR IMMEDIATE RELEASE

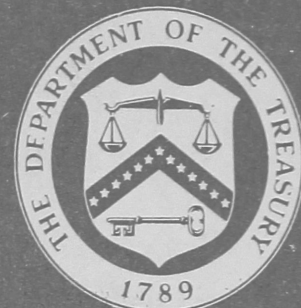
September 20, 1978

CORRECTION OF TREASURY'S WEEKLY  
BILL OFFERING OF SEPTEMBER 19, 1978

The weekly bill offering of September 19 reported that Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities hold \$3,532 million of bills, which are eligible in exchange for the bills to be auctioned Monday, September 25. The correct amount held by those accounts is \$2,980 million.

o0o

B-1179



FOR RELEASE ON DELIVERY  
EXPECTED AT 10:00 A.M.  
SEPTEMBER 21, 1978

STATEMENT OF THE HONORABLE ROBERT H. MUNDHEIM  
GENERAL COUNSEL OF THE TREASURY  
BEFORE THE  
SUBCOMMITTEE ON TRADE  
HOUSE WAYS & MEANS COMMITTEE

Mr. Chairman, Commissioner Chasen and I welcome this opportunity to appear before this committee to discuss the Treasury Department experience with the assessment of duties pursuant to findings of dumping under the Antidumping Act. Both of us have now had a year of experience with the assessment procedures, and believe we have gained some insight into the strengths and weaknesses of the process. We would like to share some of that experience with you, focusing on the procedures through which the Act is now being administered and the implications that general trends in U.S. international trade and other factors may have for the future.

The major purpose of the Antidumping Act is to stop dumping by depriving those who dump of the competitive advantages that they are seeking. The most common of those competitive advantages are relatively short-run phenomena. A manufacturer may be attempting to establish or expand its share of a U.S. market, or it may be attempting to minimize short-run losses by selling products in the U.S. market below their full costs of production. A credible antidumping program must accordingly promise a relatively swift and sure neutralization of such efforts. The Antidumping Act accomplishes that goal by raising the importer's cost back to what it would have been without the dumping by imposing a special duty on the merchandise.

If the Antidumping Act is administered quickly and effectively, foreign manufacturers will see the futility of continued dumping and adjust their prices to eliminate margins. As a result, the amount of dumping duty assessed will be minimal.

Of course this relatively undramatic result takes some of the luster from an agency's enforcement effort. It is natural to measure success by the duties collected, rather than by the unknown amount of dumping deterred. If unresisted, such pressures lead an administrator to shift enforcement dollars toward those types of activities that yield more visible results and a measurable monetary return on expenditures.

On the other hand, if the antidumping duties are not collected promptly, the foreign manufacturer may believe that it can achieve the short-run objectives I have described. While it may have to contend with disgruntled importers at some later date when antidumping duties are assessed, that may seem a cheap price to pay for the substantial short-term advantages. Worse, if assessment and collection of duties continue to be long delayed, foreign manufacturers and importers may begin to entertain serious doubts about whether any duties will be collected at all.

While I do not think that our enforcement system has lost its creditability, I am compelled to report that we have much work to do to restore it to a high level. As this committee well knows, in one major case, involving television receivers from Japan, we are more than five years behind in assessing dumping duties, and more than six years in collecting them.

The problem is more severe than a review of individual case backlogs will reveal. The antidumping program is growing, and growing at an increasing rate. When the Trade Act of 1974 became effective, early in 1975, Customs was investigating, administering, or monitoring, approximately 75 cases. By July of 1978, that number was up to 129, an increase of 72 percent. The rate at which new cases are being filed has almost tripled since 1976, to over 40 per year (see annex). Customs is currently charged with maintaining ongoing lists of dumping duties on numerous grades, types, and models of products of each of 450 manufacturers. Every model revision and price change must be reflected on those lists.

Moreover, our assessment of the future of the Nation's international trade patterns leads us to believe that Customs' antidumping responsibilities are going to become more complex and demanding at a far faster rate than the growth of its case load indicates. For one

thing, U.S. imports are shifting toward finished consumer products and technologically complex manufactured goods. Computation of dumping duties on such goods requires much more time and resources than did the calculation of dumping duties on the simpler goods that they are displacing. Consumer goods such as television receivers, commonly have myriad minor differences aimed at exploiting taste preferences within a particular market. Similarly, sophisticated equipment like large power transformers commonly differ in many respects simply because they are custom built from extremely complex arrangements of parts. At present, Customs adjusts for each of these cost and marketing differences, often down to the penny.

A second factor relates to the increasing importance of multi-national business complexes in U.S. trade. Some increased workload results because these organizations engage in production techniques which include shipping unfinished goods among affiliates in different countries for further work. But the far more significant difficulty that the multi-national business complex presents stems from the frequent export of goods to the United States through one or more related U.S. importers. This requires that we accumulate and verify data through the more complicated procedures that must be used to avoid relying on prices that are not the result of arms'-length bargaining.

U.S. trade is also beginning to include products from countries with state-controlled economies. Under the provisions of section 205(c)(1) of the Antidumping Act, we are required to substitute data from companies in a free market country, which may have no interest in the matter, for the sales and cost information that we would normally obtain from the exporter.

A fourth factor in complicating Customs' task relates to the increasing reliance in dumping petitions on allegations that foreign manufacturers have been selling products below their costs of production. Under the provisions of section 205(b) of the Trade Act of 1974, we are required to exclude such sales from our determination of home market prices. The theoretical and computational problems involved in making "cost of production" determinations can be enormous. Customs is asked to accomplish this task across cultural barriers, for commodities such as carbon steel plate which comes in at least twelve gauges and sizes and is but one of a thousand varieties of steel produced by a manufacturer, which happens to produce many other products besides steel. I need not belabor the difficulty of finding the full cost of one such product, particularly when some of the manufacturers with which we deal do business in economies that lack the recordkeeping sophistication that we and a handful of our trading partners have developed.

In short, Customs' dumping duty assessment program is now beset with large and growing backlogs; faces an accelerating expansion in numbers of new cases; and faces larger and more complex problems within each case as a result of shifts in our trade patterns. In the light of that background, you will understand why elimination of the backlog and bringing the assessment program to a current status cannot be accomplished easily or quickly.

We have tried to find ways to deal with these problems. We responded to the allegations of massive dumping of steel in the United States by instituting a trigger price mechanism under the Antidumping Act. When we concluded that incomplete and unreliable data was delaying the Japanese television case, we moved toward alternative sources for the necessary information.

But in taking these innovative steps, we have discovered that we must take account of another increased burden: the virtual certainty that we will be forced to defend each new approach in litigation. You know that we were successful in defending the trigger price mechanism in the District Court. However, Court tests of our ideas divert substantial resources to battles that do not increase the number of master lists prepared or decrease the backlogs that we face.

I would now like to share with you a number of ideas that we are considering for improving our efforts. We have identified three important systemic problems in our current administration of the Act's provisions on assessment of duties, and we are moving to develop techniques for eliminating or controlling them.

First, our procedures are not well designed to motivate importers -- and, through them, foreign manufacturers -- to move promptly to comply with our requests for complete, reliable, and responsive information.

Second, we need to improve our methods for handling the increasing amounts of data that we are required to process as imports become individually more sophisticated and collectively more varied.

Third, we need to develop special duty assessment procedures to take realistic account of the fact that antidumping cases differ from the ordinary Customs' process. Our need for comparative economic data effectively injects the manufacturer as an additional participant in the antidumping assessment process, despite the fact that the interests of the manufacturer and the importer are generally

aligned. The result, at the moment, is that these parties obtain two, redundant opportunities to submit evidence during the administrative process, and then a third opportunity when the importer exercises its right to a trial de novo in the Customs Court.

We have the authority to take a number of important steps toward correction of these problems. I would like to describe what we are doing, or planning to do, in each of those areas.

1. Securing the Full Cooperation of the Importer and the Foreign Manufacturer

The first problem that I mentioned is the importers' and manufacturers' lack of incentive to move promptly to provide Customs with complete, reliable, and responsive information. We are now considering action on two fronts to revise our procedures so that those parties will perceive that it is in their own interest to cooperate fully.

First, it appears that a significant disincentive to prompt, willing cooperation today is the importer's ability to retain and make interest-free use of the potential duties during the pendency of the assessment process. Delay in assessment and collection reduces the effective cost for which the importer is ultimately liable.

We believe that we have the authority to remedy this situation, by requiring that the importer deposit estimated dumping duties on its merchandise at the time of entry. We are now preparing proposed regulations for public comment that would require that estimated dumping duties be deposited beginning when a finding of dumping is published. While we will not propose to require such deposits prior to that formal publication, or to foreclose equitable relief when exigent circumstances can be shown, the proposed regulations will otherwise cover all entering merchandise subject to a dumping finding.

This approach should reverse present incentives. Importers and manufacturers will want to submit information speedily. They will want to provide it in a format which facilitates Customs' analysis of it. In that way, they will speed the day when any overpayment of the duties can be returned.

The other way in which we propose to alter the current procedures to eliminate the incentives to delay is to establish and publicize a uniform administrative practice of resorting to the "best available information" when an importer or exporter fails

to respond to our requests for data in a timely and complete fashion. That policy is currently articulated in our regulations, but is not enforced in practice with sufficient vigor to produce convincing results. Much of the difficulty involved in the television case, for example, related to late, incomplete, and defective submissions of information by the manufacturers.

We believe that this approach is fully justified, so long as fair response periods are set and Customs' questionnaires are reasonably clear and precise. The Commissioner intends to ensure that those standards are met.

Together, these revisions in our current practices should go some way to alleviate our problems with the manufacturers' and importers' responsiveness. We, in turn, plan to take measures, including staff realignment, to enable us to process that information promptly upon its receipt, determine the dumping duties owed, and make any necessary refunds or supplemental collections.

## 2. Improving Information Processing Techniques

The second problem that I identified relates to the growing amount of data that Customs is receiving as a result of changes in merchandise, and changes in marketing practices. In order to cope with these changes, we are evaluating whether we can improve our ability to use data selectively in two respects.

First, we are considering the feasibility of revising our practice of making dumping findings on a country-by-country basis, and then performing detailed dumping margin calculations on the merchandise of every manufacturer within that political unit. We have the authority to be more flexible, and we believe that dumping may be more efficiently attacked by a judicious exercise of that flexibility.

One way in which we can use that flexibility is to focus our resources on fewer manufacturers. This type of selectivity might be useful, for example, in the case of roller chain from Japan, in which Customs is maintaining master dumping duty lists on approximately 93 manufacturers and exporters, despite the fact that during the less-than-fair-value investigation, Customs determined that over 80 percent of the imports into the U.S. originated with only five of those companies.

There are several ways in which we could proceed with this approach. We already limit our investigation at the less-than-fair-value stage to the larger manufacturers (with the limitation that we cover manufacturers accounting for at least 60 percent of the exports to the U.S.). We might also narrow the scope of the dumping finding, focusing on those manufacturers that export the largest volumes of merchandise to the United States.

On the other hand, that approach has limitations that we will have to consider rather carefully. Evasion, through resale in the home market, is one difficulty, because adding a company to the dumping finding would require completion of an entirely new investigation by both Treasury and the ITC. A similar problem would arise if an excluded manufacturer began to expand its U.S. market for other reasons.

These problems suggest the advisability of exploring another alternative: the development of a more sophisticated way of making and modifying our dumping findings. We may, for example, consider whether, in addition to modifying or revoking a finding to exclude a manufacturer, as our regulations now provide, we might conditionally suspend application of it to relatively insignificant exporters. That type of revision might provide us both the ability to concentrate our enforcement efforts where the problems lie, and the flexibility to monitor the rest of the manufacturers subject to a finding and move promptly to correct any problems.

The other way in which we are considering attempting to deal with the profusion of data that we are encountering relates to the calculation process itself. The direct consequence of increases in the complexity of both a product and the marketing system through which it moves is an increase in the number of adjustments we are asked to make. The report of the General Accounting Office that you have recently received documents some of the complexity and detail of the adjustments that Customs makes.

I am persuaded that the Antidumping Act will be far more effective if we can develop methods for fairly avoiding expenditure of resources on the numerous minute claims that are presented. This is a difficult area, however, because whether an adjustment is of significant size depends in large part on whether Customs requires that the manufacturer subdivide its claims and justify them in more detail.

One approach that we have been considering would involve the establishment of broad categories of adjustments, into which individual claims would be presumptively placed. Then, unless the claims within a general category reached some threshold size, we might disallow them.

Another approach would involve increased reliance upon techniques of sampling and averaging to avoid processing all of certain classes of data. Customs does some of that now when it allocates advertising or warranty costs among products subject to a dumping finding. (There is no reason that a manufacturer's efforts to differentiate its products from others in order to appeal to consumer preferences should inexorably require further investigation and computation by the Customs Service.)

### 3. Eliminating Redundant Proceedings

The third problem that I mentioned relates to the unique nature of the duty assessment process in the dumping area. Unlike the ordinary assessment, the amount of a dumping assessment depends on information about the home market activities of the manufacturer of the product -- information that is known in detail only within that company. Before it can assess dumping duties, Customs must either obtain that information or develop appropriate substitute data.

The result of this process is that the manufacturer and the importer, who have both an identity of interest on the question of the amount of dumping duty owed and only a single source of relevant information between them, are now getting three separate chances to make their case on assessment. That is, they have three completely separate opportunities not only to argue the merits of their case, but also three opportunities to submit evidence. The first occurs when we ask the manufacturer for data and, perhaps inevitably, become involved in the process of defining our terms and arguing about relevance. The second occurs when the importer protests the assessment, and submits supporting evidence. The third occurs when the importer goes to the Customs Court to challenge our denial of its protest and submits evidence, in a trial de novo.

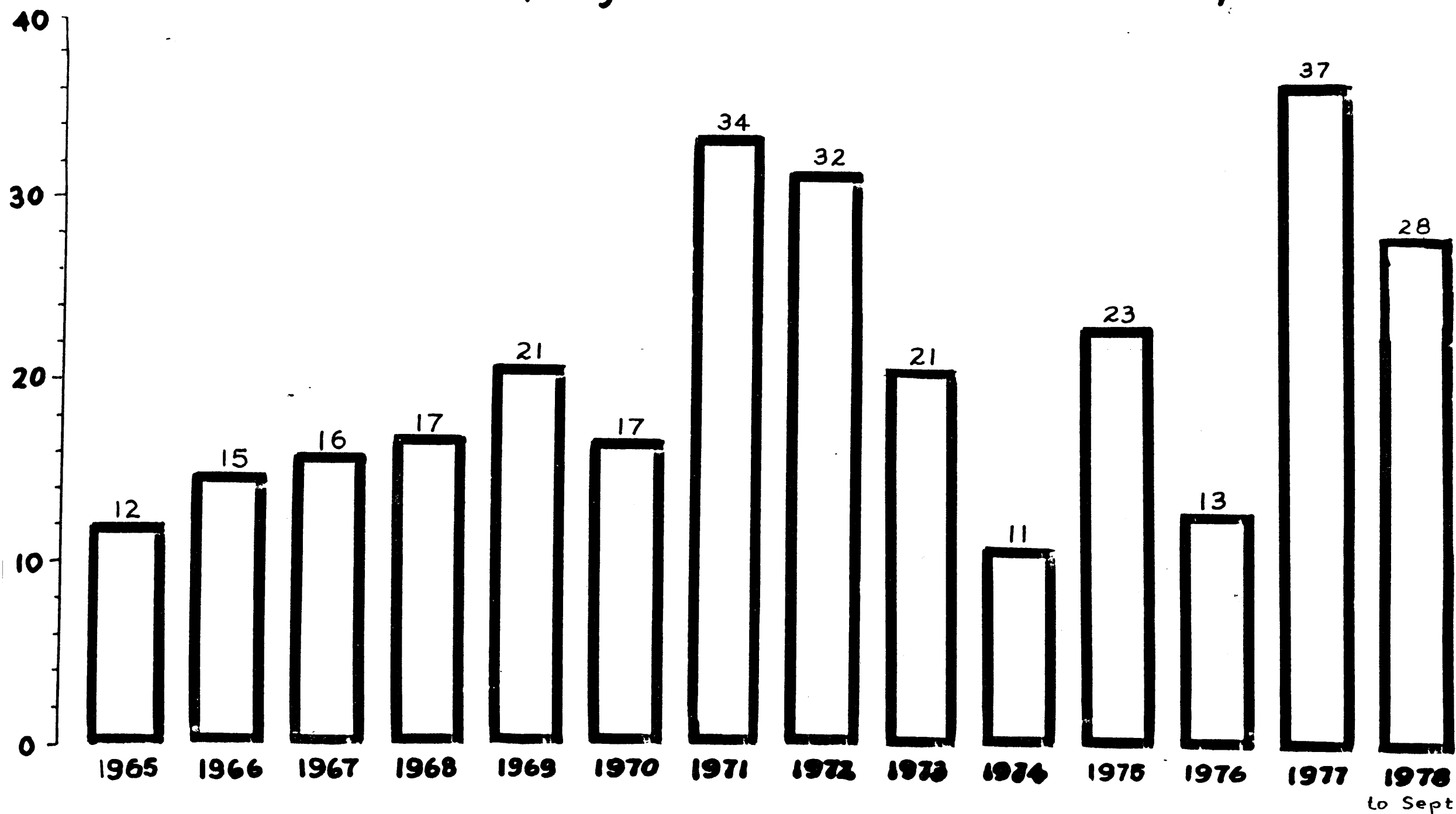
We think that sensible administration counsels that we move as far as we can toward the concept of a single administrative proceeding, in which, absent persuasive evidence of excusable neglect or surprise, there is only one opportunity to submit evidence. Such a process would not only eliminate duplication of effort, it would also preclude tactical manipulation of the process through such actions as holding evidence in reserve in the hope that the resulting ambiguity may be resolved favorably to the importer.

We believe that the sensible way to move toward such a unitary system at this time is to press to have the information presented fully and completely at the first opportunity -- when the information is being gathered for purposes of assessment. In support of this approach we may be able to move toward more systematic efforts to include the importer at that stage, coupled with tighter restrictions on what may be added to that body of information during the subsequent protest process.

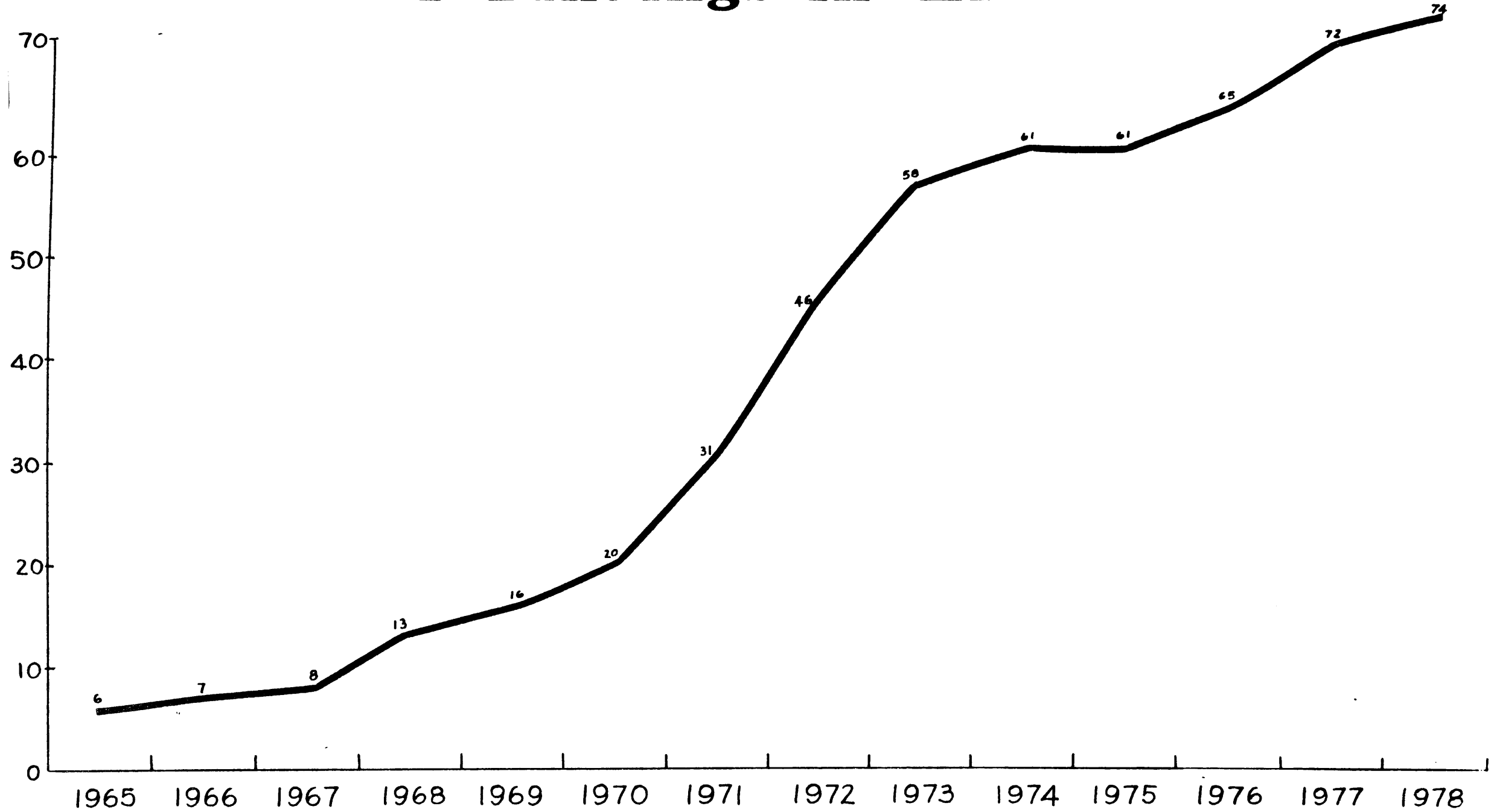
Our suggestion relates to elimination of redundancies in the administrative process, and does not address the question of duplication of effort between the administrative system and the Customs Court. We would like to gather some experience with that approach before addressing the appropriate jurisdiction of the Customs Court.

ANNEX TO TESTIMONY  
OF ROBERT H. MUNDHEIM

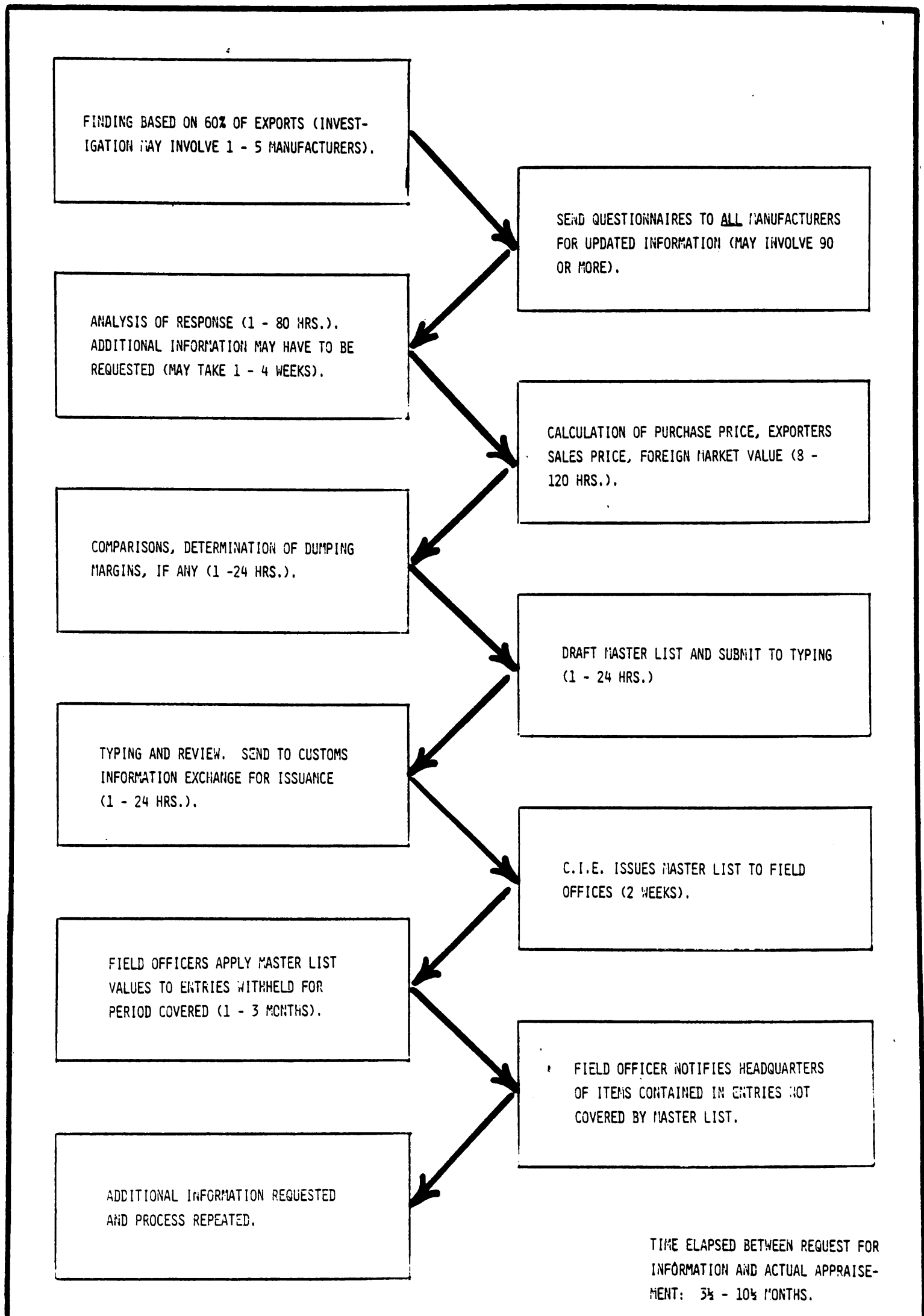
# Number of Dumping Cases Initiated Yearly

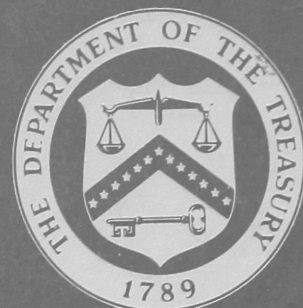


# Number of Findings in Effect



# Stages of Master List Production and Dumping Duty Assessments





FOR IMMEDIATE RELEASE  
September 22, 1978

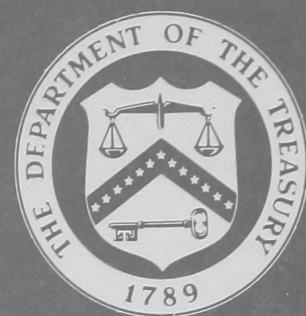
Contact: George G. Ross  
202/566-2356

UNITED STATES/UNITED KINGDOM TAX OFFICIALS  
MEET TO RESUME TREATY DISCUSSIONS

The Treasury Department today announced that tax officials of the United States Treasury and the United Kingdom Inland Revenue met in London on September 18-20, 1978, to resume discussions on the US/UK income tax treaty. Results of the discussions will be reported to the respective governments.

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B-1181



FOR IMMEDIATE RELEASE  
September 21, 1978

Contact: Alvin M. Hattal  
202/566-8381

STATEMENT OF THE HONORABLE ROBERT H. MUNDHEIM  
GENERAL COUNSEL OF THE TREASURY  
BEFORE THE  
SUBCOMMITTEE ON TRADE  
HOUSE WAYS & MEANS COMMITTEE  
ON  
ANTIDUMPING PROCEEDING INVOLVING COLOR AND  
MONOCHROME TELEVISION RECEIVERS FROM JAPAN

Mr. Chairman, and Members of the Committee:

I know that this Committee has a particular interest in the progress of our assessment of duties in the Japanese television dumping case. I would like to take an opportunity now to report our progress to you.

On March 31st of this year Treasury announced the assessment of antidumping duties on all Japanese television receivers imported prior to June 30, 1973. The Customs Service resorted to the "best evidence available" in conducting that liquidation because the information that had been submitted to it by the Japanese manufacturers was incomplete and unreliable. The substitute evidence that Customs used included information generated in connection with the administration of the Japanese Commodity Tax. Because resort to best available evidence was unusual, we wanted to evaluate the propriety of our approach in the concrete context of the March 31st liquidation before making a decision on the treatment of the rest of the backlog in that case.

The Customs Service has now conducted that evaluation, and prepared recommendations. As part of that effort, Customs has obtained evidence and opinions from the Japanese manufacturers, the U.S. importers, the U.S. television industry, the Government of Japan, and independent experts.

Customs has made a number of recommendations on how it proposes to proceed. Treasury concurs in those recommendations. They are:

(1) the Customs Service will move promptly to assess another portion of the backlog, including all televisions imported up to January 1975;

(2) the Customs Service will thereafter assess the remainder of the backlog as rapidly as its ability to process the full case permits;

(3) the Customs Service will continue to rely on alternative sources of evidence, including information derived from the administration of the Commodity Tax, to compute the dumping duties due on the television receivers of any manufacturer that has failed to submit complete and reliable information to Customs on a timely basis;

(4) the Customs Service has determined that, for the period July 1973 to January 1975, only one manufacturer has submitted complete and reliable information to Customs on a timely basis;

(5) in using alternative sources of evidence, the Customs Service will further refine the approach that it used in the March 31, 1978, liquidation, by incorporating Commodity Tax information actually reported by the manufacturer to the Japanese Government whenever that information has been made available to the Customs Service on a timely basis in response to its requests;

(6) the Customs Service has concluded that the claims for adjustments for differences in costs of production and circumstances of sale submitted by the manufacturers during the July 1973 to January 1975 period are not reliable and should not be allowed in computing the dumping duties;

(7) the Customs Service will inform in writing the importers that are assessed dumping duties on the basis of alternative evidence in this case of that fact, the Customs Service's basis for this treatment, and the Customs Service's willingness to consider, in conjunction with the filing of protests, claims for adjustments if, but only if, those claims are supported by more persuasive evidence than the manufacturers previously submitted to the Customs Service;

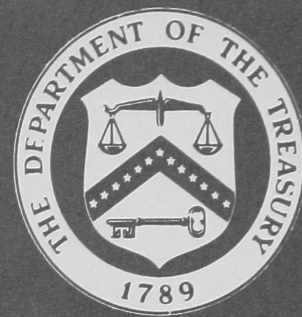
(8) the Customs Service will consider evidence of adjustment claims as sufficiently persuasive only if that evidence is prepared with express references to manufacturers' documentation and is accompanied by a suitable undertaking promptly to supply consistent supporting documentation from purchasers and suppliers of the manufacturer where Customs so requests, and only if all documentation is subject to satisfactory field verification.

(MORE)

(9) the Customs Service will promptly notify the importers that were assessed dumping duties on the basis of alternative evidence on March 31 that they may have the same opportunity to submit more persuasive evidence promptly in support of their previously filed protests.

(10) the Customs Service will begin collection procedures for each assessment immediately after it occurs, and is reinstituting collection procedures on the March 31 assessment now.

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FOR RELEASE ON DELIVERY  
EXPECTED 12:00 NOON CDT  
SEPTEMBER 22, 1978

REMARKS BY THE HONORABLE  
BETTE B. ANDERSON  
UNDER SECRETARY OF THE TREASURY  
BEFORE THE  
INDUSTRIAL DEVELOPMENT COMMISSION  
OF CLAY COUNTY  
KANSAS CITY, MISSOURI  
SEPTEMBER 22, 1978

I was delighted when I received the invitation to address you today, since greater Kansas City, with its wonderful combination of metropolitan sophistication and internationally famous commercial and industrial know-how, is always an attraction to the traveler.

But I had to bone up on my Clay County history to realize how much at home I would feel here.

I'm told this "Northland" -- north of Jackson County, that is, was once a southern stronghold and is still, today, proud of its heritage. For a daughter of Savannah, Georgia, and a Carter Administration appointee, that spells hospitality!

I also understand that native son Jessie James was buried just 15 miles from where we stand, and that Harry Truman woke up one morning at the Elm Hotel in Excelsior Springs to find himself President of the United States. I'll say Clay County doesn't lack for folk heroes!

But be you Democrat or Republican, northerner or southerner, you cannot fail to sense the spirit of pride and of progress in this area.

I am truly happy to be here today and to share with you some thoughts and facts about Foreign-Trade Zones, another area in which Clay County is attracting the attention of the world.

In doing so, I feel rather like the survivor of the Johnstown flood who made his mark in life lecturing about that 1839 debacle.

When he passed through the pearly gates, he asked St. Peter if he might contribute his expertise to the occupants of heaven. Obliging, St. Peter prepared the celestial lecture hall, and informed the speaker that he had a packed house. "However," St. Peter cautioned, just seconds before the speech was to begin, "I think you ought to know that Noah is in the audience."

I am certain we have many Noahs in the audience today!

Your massive, multi-site Foreign-Trade Zones were the first inland FTZs to become operational in this country. During their initial three years, they have grown in volume of business from \$27 million to \$91 million. The unique underground facility here in Missouri is world famous. I understand this site alone generates a payroll of \$1.5 million annually, and its financial impact on this community is considered to be three times that figure.

During the fiscal year 1977, overall U.S. FTZ activity involving 900 firms rose by 30 percent over the previous fiscal year. Existing zones reported a total of \$663 million in goods received, compared with \$507 million in fiscal 1976. Merchandise shipped from FTZs amounted in value to \$598 million, compared with \$468 million in the previous fiscal year. Obviously, the advantages of FTZs, including the prestige they lend to an industrial development area, are apparent to you all.

For those of you who may not be familiar with the Customs Service's role regarding FTZs, allow me to explain. Foreign-trade zones are enclosed areas which are considered to lie outside U.S. Customs territory. You might say they are the domestic versions of what are known internationally as free-trade zones.

As a matter of fact, they owe their origin to the free ports that existed in Northern Europe in the medieval days of the Hanseatic League. Cities participating in that historical trading union had special status that placed them outside the customs jurisdictions of their national governments. When these privileges were later withdrawn, sites known as "free-trade zones" were established within port areas. But it wasn't until 1934 that the United States Congress authorized similar areas within this country. It chose to call them "foreign-trade zones."

Our FTZs are located in or near U.S. Customs ports of entry, and are operated as public utilities by qualified corporations under Customs supervision. Authority for establishing these rapidly proliferating facilities is granted by the Foreign-Trade Zones Board, rated as public utilities by qualified corporations under Customs supervision. Authority for establishing these rapidly proliferating facilities is granted by the Foreign-Trade Zones Board, with Customs approval, under the Foreign-Trade Zone

Act of 1934. The board has its headquarters within the U.S. Department of Commerce in Washington, D.C.

The advantage of foreign-trade zones are many. Chief among them is the fact that foreign goods may enter their areas duty- and quota-free for an unlimited period of time. These goods may be stored, assembled, combined with domestic or other foreign materials, used in manufacturing processes, or exhibited. Domestic merchandise moved into FTZs for export are considered to be already exported for purposes of excise tax rebates and drawback.

Thus, FTZs encourage international commerce while providing jobs for American labor.

Allow me to repeat -- formal U.S. Customs entry procedures and payment of duties on imported merchandise are not required unless and until that merchandise enters U.S. Customs territory for domestic consumption.

When that is the case, the importer has the choice of paying duties either on the original foreign materials -- in which case he must file a request with Customs for "privileged" treatment -- or on the end product -- in which case the components or materials used are "nonprivileged."

Most often, importers request privileged treatment, since the Customs duty on the end product is higher than on its components. Important exceptions include motorcycles, typewriters, computers, and automobiles.

With more and more foreign firms electing to manufacture or assemble their products in U.S. FTZs for American consumption, these exceptions have raised an issue that the U.S. Customs Service is now examining.

When these end products are produced, the present appraisement practice requires that labor and overhead costs incurred, and profit realized, be allocated between the privileged and nonprivileged components according to their relative values. These costs -- labor and overhead, plus the profit allocated to the nonprivileged components -- are then included in the dutiable value of the article when it enters U.S. Customs territory.

In response to a rulemaking petition from the National Association of Foreign-Trade Zones, the U.S. Customs Service will issue, in the near future, an advance notice of proposed rulemaking soliciting comments regarding the advisability of continuing the appraisement practice.

Fiscal 1977 saw nine more communities added to the ever-growing list of foreign-trade zones. At the year's end, there were foreign-trade zones at 28 U.S. ports in 22 states. Today,

35 port communities have active zones.

As costs of locating assembly and industrial operations in the United States become increasingly favorable for firms engaged in international trade, exports from U.S. FTZs are expected to grow at an even greater rate.

World trade has multiplied almost ten-fold since the post-World War II period. Figures for 1951 were around \$76 billion. By 1976 they were \$800 billion. Probably the greatest stimulation to international trade came from the Truman Doctrine, the Four Point Program, the Marshall Plan, and the aid the United States gave to Europe and the world in general following that war. Here at home, United States trade has increased from \$35 billion in 1960 to \$270 billion in 1977. Estimates are that it will increase to \$300 billion by 1980.

Trade is no longer a matter of transferring raw materials and basic commodities. Today it involves transnational shipments of sophisticated and complex products and components. Where slightly more than a decade ago U.S. Customs was collecting \$1.5 billion in revenues annually, it now collects more than \$7 billion.

Despite this tremendous growth in volume, Customs has, for many years, had to cope with antiquated laws which impede its modernization and delay the introduction of automated procedures designed to speed up commercial transactions.

The last major piece of legislation dealing with Customs administrative reform was enacted more than twenty years ago. Since that time the value of imports and the amount of duty collected have increased five-fold. Entries have tripled, from 1.1 million in 1956 to 3.4 million in 1976. Entries processed now average more than 2,600 per Customs import specialist per year -- an increase of 94 percent over the past twenty years.

But today finds us at the threshold of a new and more progressive era. Congress has just passed the Customs Procedural Reform Bill, the most comprehensive overhaul of U.S. Customs laws in a generation.

For the FTZ user who imports foreign goods into the United States, the bill, when enacted into law, presents many attractive facets.

For instance, it will permit Customs to release goods to importers immediately upon presentation of appropriate entry documents. It will enable Customs to adopt a long-planned automatic merchandise-processing and revenue-collecting system that will speed up delivery of merchandise to importers, reduce paperwork, cut the number of financial transactions, and provide faster and more accurate statistical data.

Section 592 of the Tariff Act of 1930 will be amended to remove the harsh initial penalty assessments now levied on importers for negligence, gross or simple, and to bar any penalty for non-negligent clerical errors or mistakes of fact. It will also place on the Government the burden of proof in fraud cases, and give the courts a greater role in penalty rulings.

Those of you who import, or who deal with importers, will know that the importing community -- including major U.S. corporations -- have long protested the exorbitant penalties -- some of them in the millions -- imposed for relatively minor entry errors, and the fact that normal judicial redress has been denied those penalized.

Under the bill shortly to be enacted into law, the Government will have to show proof of fraud through a preponderance of the evidence, rather than through so-called, "clear and convincing" evidence, as is now the case.

One of the major obstacles to Customs adoption of modern merchandise-processing methods has been the requirement that each importation be represented by a separate entry document accompanied by payment of the estimated duties owed on the merchandise when it comes into Customs territory. Each entry must then be processed separately and a separate bill for additional duties or refund checks for overpayment has to be prepared and mailed to the importer. Obviously, this results in an avalanche of paperwork, plus substantial administrative costs and burdens on Customs, the importers, and the importers' agents, the customhouse brokers.

The new Customs law will alleviate this situation by permitting the separation of the entry and reporting process from the duty-collection process. Importers could take delivery of their importations by providing Customs with necessary documents. Within a specified time, the importer will be required to supply details of the importation and pay the duties. The practical effect of this new procedure will be to compress the many individual duty payments into single, weekly payments, provide immediate delivery of imported goods, and improve the quality of import statistics.

The new Customs law would also enable Customs to introduce full-scale implementation of its Automated Merchandise Processing System, commonly referred to as AMPS. This computerized entry filing system monitors information on entries, liquidations, and duty collections. It produces data used for control of warehouse inventory, in-bond shipments, importers' accounts, and merchandise quotas, thus simplifying importers' and Customs' bookkeeping, and providing more accurate and reliable data to the Bureau of the Census.

Many other facets of the Customs Procedural Reform Bill will benefit importers using foreign-trade zone facilities. In fact,

the bill itself represents the culmination of cooperative efforts of the Customs Service, the importing community, and Congress.

I might add that other provisions of the bill will delight those of you who combine business with pleasure on your trips abroad. The duty-free allowance on articles bought overseas will increase with passage of the Customs Procedural Reform law to \$300 from foreign countries and \$500 from insular possessions of the United States.

The Customs Procedural Reform bill, when passed, will further accelerate Customs' current efforts to establish increased rapport between the Service and the importing community.

One result of this intensified dialogue has been the improved and streamlined procedures introduced by Customs for handling "hot" quota entries. These are now moved through the various Customhouse work stations at greater speeds than ever before, allowing brokers more rapid and reliable feedback as to the status of these important items.

Another vital subject under discussion at meetings between Customs and the trading community is improved cash flow for brokers, importers, and the Service itself.

Meetings between Customs officials and importers have led to a new procedure for expediting the release of containerized cargo. Containers are now examined at ground level and released before the arrival of the importer's conveyance. Thus, demurrage costs and handling expenses are reduced and the importers are able to obtain their merchandise more quickly.

With advanced technology and modern management concepts, the 189-year-old U.S. Customs Service is rapidly becoming a computerized and cost-effective organization.

During Fiscal 1977, Customs processed \$150 billion worth of imported merchandise at a cost to the taxpayer of only \$6 for every \$100 collected.

Clearly, the Treasury Department is keeping abreast with the momentum of modern business. We want, as well, to keep in close contact with the progress, and the problems, of the individuals involved in commerce and trade.

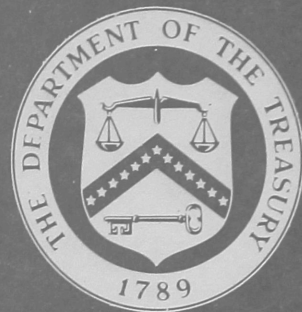
That is why we welcome opportunities to meet with organizations dedicated to industrial development and foreign trade. I feel that this meeting is especially significant.

After all, international trade and Kansas City, Missouri, have been synonymous since 1823 when Francis Chouteau set up a fur-trading post on Grand Avenue. He bought pelts from French and Indian trappers and shipped them by barge down the

Mississippi to New Orleans and, from there, to France. A U.S. Customs port of entry was established in Kansas City as early as 1883, and today is among the busiest in the country.

I have thoroughly enjoyed my visit with you and I hope to have another opportunity to meet with you in the future.

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FOR IMMEDIATE RELEASE

September 25, 1978

**DONALD HAIDER APPOINTED DEPUTY ASSISTANT  
SECRETARY FOR STATE AND LOCAL FINANCE**

Secretary of the Treasury W. Michael Blumenthal announced today the appointment of Donald H. Haider, 36, associate professor of Northwestern University's Graduate School of Management and faculty associate of the University's Urban Affairs Center, as Deputy Assistant Secretary for State and Local Finance.

As part of the Office of the Assistant Secretary for Domestic Finance, Mr. Haider will have supervisory responsibilities for functions relating to (1) Treasury's involvement in the National Development Bank legislation; (2) New York City financing under the Loan Guarantee Act; (3) evaluation of state and local government access to capital markets, and (4) the impact of certain federal programs on the financial condition of state and local governments.

As a White House Fellow in 1976-77, Mr. Haider was a special assistant in the Office of Management and Budget. He has been at Northwestern since 1973. Earlier he had been on the faculty of Columbia University where he earned an M.A. and Ph.D. degrees in political science. He received a B.A. degree at Stanford.

While at Columbia he was a Harriman Fellow, an International Fellow, and an American Political Science Association Congressional Fellow in which capacity he spent 1967-68 working in the U.S. Senate. In 1968-69, as a Brookings Institution Guest Scholar, he conducted research leading to publication of a book "When Governments Come to Washington," a study of the impact of federal expenditures and programs upon state and local governments and their lobbying activities.

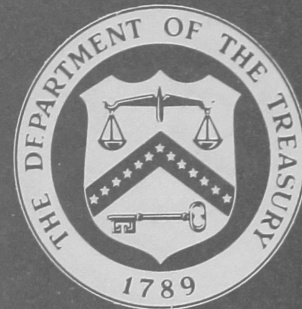
In 1977 he served as a member of the Cook County Assessor's Property Tax Commission, and in 1975-76 was a consultant to the Mayor's Committee for Economic Development of Chicago. Other consulting work included New York State's Charter Revision Commission for New York City; New York City's Experiment in Neighborhood Decentralization of City Services; Federal Regional

- 2 -

Council V's Resource Allocation Task Force; Chicago United's Economic Redevelopment Task Force; the Temporary Commission on New York City Finances; and the U.S. Department of Housing and Urban Development.

He and his wife, the former Jean Campbell Wright, and their three children live in the District of Columbia and retain a residence in Evanston, Illinois.

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FOR IMMEDIATE RELEASE

September 25, 1978

**RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS**

Tenders for \$2,301 million of 13-week Treasury bills and for \$3,400 million of 26-week Treasury bills, both series to be issued on September 28, 1978, were accepted at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing December 28, 1978			:	26-week bills maturing March 29, 1979		
	Price	Discount Rate	Investment Rate 1/	:	Price	Discount Rate	Investment Rate 1/
High	97.953	8.098%	8.38%	:	95.824	8.260%	8.74%
Low	97.949	8.114%	8.40%	:	95.811	8.286%	8.77%
Average	97.951	8.106%	8.39%	:	95.816	8.276%	8.76%

Tenders at the low price for the 13-week bills were allotted 58%.  
Tenders at the low price for the 26-week bills were allotted 99%.

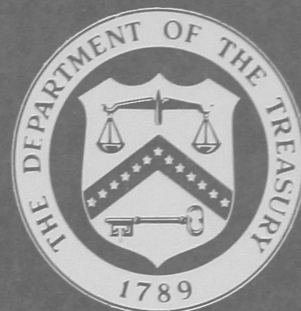
**TOTAL TENDERS RECEIVED AND ACCEPTED  
BY FEDERAL RESERVE DISTRICTS AND TREASURY:**

Location	Received	Accepted	:	Received	Accepted
Boston	\$ 67,085,000	\$ 22,085,000	:	\$ 75,530,000	\$ 70,520,000
New York	4,351,145,000	1,937,960,000	:	4,763,700,000	2,916,165,000
Philadelphia	19,110,000	19,025,000	:	28,315,000	23,315,000
Cleveland	32,925,000	21,925,000	:	23,660,000	13,660,000
Richmond	15,145,000	14,515,000	:	12,020,000	12,020,000
Atlanta	32,375,000	24,775,000	:	19,245,000	18,245,000
Chicago	260,710,000	113,220,000	:	375,025,000	223,505,000
St. Louis	37,425,000	19,125,000	:	29,045,000	11,045,000
Minneapolis	15,605,000	6,605,000	:	4,830,000	4,830,000
Kansas City	30,030,000	16,265,000	:	18,495,000	18,495,000
Dallas	12,925,000	12,925,000	:	5,810,000	5,810,000
San Francisco	304,245,000	86,895,000	:	200,760,000	73,660,000
Treasury	6,105,000	6,105,000	:	8,810,000	8,810,000
TOTALS	\$5,184,830,000	\$2,301,425,000 <sup>a/</sup>	:	\$5,565,245,000	\$3,400,080,000 <sup>b/</sup>

<sup>a/</sup> Includes \$339,205,000 noncompetitive tenders from the public.

<sup>b/</sup> Includes \$205,560,000 noncompetitive tenders from the public.

<sup>1/</sup> Equivalent coupon-issue yield.



FOR IMMEDIATE RELEASE

September 26, 1978

STATEMENT BY W. MICHAEL BLUMENTHAL  
SECRETARY OF THE TREASURY  
BEFORE THE BOARDS OF GOVERNORS OF  
THE INTERNATIONAL MONETARY FUND AND  
THE INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

Mr. Chairman, Mr. deLarosiere, Mr. McNamara, Governors  
of the Fund and Bank, distinguished guests:

We meet at a time when the public perception of the  
world economy is one of uncertainty and worry: about the  
persistence of high inflation; about the world's unemployed  
and how to put them to work; about international payments  
imbalances and how they can be managed so as to avoid undue  
strain on the international monetary and trading systems.  
And worry also about the outlook for the economy of the  
United States.

The message I wish to leave with you today is that  
we must not allow these concerns to distort our vision.  
To be sure, unacceptably high rates of inflation and  
unemployment remain a serious problem in a number of countrie  
And in some, including our own, external imbalances, both

on the surplus and deficit side, are too large. These are serious problems that must be resolved, and that is not an easy task. But we must not lose sight of the fact that crisis points have been passed, that progress has been made, and that further improvement is underway. The progress that the nations represented in this room have collectively and individually made is significant and must not be overlooked. For it shows how far we have come, that difficult problems are not insoluble, and hence that further progress can be made.

#### The Record of World Economic Recovery

Three years ago, the world faced what looked like an intractable problem -- stagnating world production, rising unemployment, and surging double digit inflation. It was feared that the greatly swollen payments imbalances could not be financed, and that industrial as well as developing countries would be forced into severe financial restraint and contagious protectionism.

That has not happened. Progress has been much greater than generally acknowledged.

-- In 1974, inflation averaged 15 percent worldwide, and 13 percent in the OECD. Today the global rate is under 10 percent, and the OECD rate is under 8 percent.

- In 1975, economic output in OECD fell 1 percent.  
This year it will show a respectable average growth of 3-1/2 percent.
- In 1974, the OPEC payments surplus was \$70 billion.  
This year it will be about \$16 billion.
- In 1975, the developing countries' aggregate current account deficit was \$30 billion. In 1978 it will be about \$16 billion, and borrowing countries generally are in a stronger position to attract capital. In fact, the developing nations as a group have increased their official reserves by some \$30 billion over the past 2-1/2 years.
- Most of the industrial countries facing major payments deficits in 1974 and 1975 have been able to cut those deficits substantially, in some cases to move into surplus.

Obviously the world economy has not fully recovered the health and vigor we seek. But it has come a long way and we know what still needs to be done.

In the IMF Interim Committee, in the OECD, and in the Bonn meeting of the seven largest industrial countries, there has been agreement on a basic strategy for achieving further progress in the reduction of unemployment, inflation and payments imbalances. That strategy is being put into effect.

The Government of Japan has announced a broad series of measures to assure the achievement of its domestic growth targets and to speed up the reduction in its current account surplus. The Government of the Federal Republic of Germany has presented to its Parliament a series of measures to assure more rapid economic growth. And elsewhere in the industrial and developing world, a stronger foundation now exists to resume trend rates of economic growth.

It is against this background that I would like to report to you on the United States economy. Our economy has performed remarkably well and today is at a more advanced stage of recovery than most other industrial countries. Since the trough of recession in 1975, we have added 10 million persons to our employment rolls. We have increased total employment by 12 percent. Unemployment has come down from more than 9 percent to below 6 percent. Industrial production has increased 31 percent. It is now 10 percent higher than the pre-recession peak, a far stronger expansion than in any other industrial country. We achieved 5.7 percent growth in 1976 and 4.9 percent growth in 1977. Our real gross national product increased almost 18 percent since 1975. This has been a substantial accomplishment in the aftermath of the shocks and strains of the early 1970's. The U.S. economy is now approaching optimum utilization of productive capacity.

We now expect a tempering of growth to a rate more consistent with the underlying rate of increase in the productive potential of our economy. We will pursue this growth path while reducing the federal budget deficit, the rate of inflation and the current account deficit.

In 1976 the federal budget deficit exceeded \$66 billion. For the fiscal year ending next week, the first budget submitted by the Carter Administration will result in a deficit of around \$50 billion or less -- a \$16 billion reduction. For the next fiscal year, we expect to cut the deficit by at least another \$10 billion, and in Fiscal Year 1980 it is the President's intent to make a further major cut in the deficit. This increasingly tight fiscal policy is essential to achieving domestic goals of reduced inflation and to reinforcing the movement towards external balance reflected in the strategy recommended by the IMF.

With regard to the U.S. balance of payments, a number of key factors making for improvement are coming into place.

We are at long last making progress on energy. The Congressional Committees have already agreed on several measures that will promote conservation and improve the efficiency of energy use. Final passage of these measures is expected soon.

I am heartened by the decision to put the Natural Gas Bill to a vote in the Senate this week. Passage of this Bill alone will result, as early as 1979, in a reduction of oil imports of as much as 500,000 barrels per day from levels that would otherwise obtain -- an annual import savings of more than \$2 billion. The Congress recognizes the great importance that the world community attaches to this issue because of its implications for our balance of payments and the stability of the dollar. I am confident that the Senate vote will reflect this recognition.

While dependence on oil imports is being reduced, efforts are being made to expand U.S. exports. The President will announce this afternoon the first elements of a national export policy which will encourage our manufacturers and our farmers to take advantage of the export opportunities which are now available to them. It is not an instant solution to our laggard performance. But it will begin giving export markets the priority they require if we are to eliminate our current account deficit.

I am confident that these efforts, combined with the slowing of the U.S. economy and more satisfactory growth worldwide, will substantially reduce our current account deficit -- by perhaps as much as 30 percent to 40 percent from current levels. If at the same time there is a major reduction in Japan's current account surplus, and further

reductions in the surpluses of Germany and the OPEC nations, we can expect a world payments pattern which will be more conducive to orderly foreign exchange markets.

Critical to the achievement of this goal is the reduction of inflation in the United States. In the first half of the year the cost of living rose at an annual rate of over 10 percent partly as a result of adverse weather and its impact on food prices. For the second half of the year we expect a considerable moderation in this rate of inflation as clearly reflected in the July and August figures. Nevertheless, it is clear that these levels are still too high and that further action must be taken.

As said yesterday, the President views this as the most urgent priority of his Administration. He will shortly announce an intensification of our effort designed to achieve further steady progress in bringing inflation down.

This intensified anti-inflation effort will not be a one-shot affair. It will dovetail with the monetary policy currently being pursued by the Federal Reserve -- a policy designed to reduce the rate of inflation while permitting our economy to grow at a rate consistent with its underlying potential. It will dovetail also with the tax proposals that the President has put before the Congress. These proposals are aimed at encouraging a higher rate of capital formation and expansion of our industrial capacity. This facet of our economic program is critical both to the maintenance of non-inflationary growth and to the international competitiveness of our industry.

In sum, the world's economic and financial system is a great deal stronger and more resilient than is commonly perceived. The strains of the past few years have been severe. But the system has weathered the storm. The private markets have responded to unprecedented demands for financing. Governments have complemented private lending with increased concessional aid. The World Bank and the regional development banks have expanded their development lending. The International Monetary Fund has effectively financed the official balance of payments needs of its members. The system has demonstrated its capacity to adapt to rapidly changing world economic conditions.

#### International Monetary Fund

The International Monetary Fund is the institutional centerpiece of our international monetary system. Since our last meeting, comprehensive changes in the Fund's Articles and an agreed increase in quotas have been put into effect. These actions culminate years of negotiations on the future shape of the system. Our efforts must now be directed to implementation of the new provisions, to supporting the Fund in its expanded role in surveillance over the monetary system, and in responding to the balance-of-payments financing needs of a growing world economy.

I am pleased to report that the Congress is in the final stages of approving U.S. participation in the Supplementary Financing Facility. I am confident that work will

be completed shortly to enable us to participate in this cooperative effort to strengthen the international monetary system in the period ahead.

At the same time, we must lay plans for the longer term. We must assure that the permanent resources of the Fund remain adequate, that it is in a position to fulfill its responsibility for providing balance of payments financing and fostering stabilization and adjustment in the years ahead. The Interim Committee has now reached a consensus on measures to strengthen the Fund's position. The United States believes that a quota increase of 50 percent, to cover a period of 5 years, is reasonable and necessary. A prime IMF responsibility is to provide official financing subject to the conditionality requirements that have been so central to the Fund's record of success. The quota increase, on which the final decision will be made by the end of the year, will assure that the Fund has the capability to continue that essential work.

We also support an annual 4 billion SDR allocation over the next 3 years. It is consistent with the liquidity needs of an expanding world economy and with the need to maintain the SDR as a viable and important reserve instrument. We know that today's inflationary problem dictates moderation in any official decision to expand world reserves. The allocation recommended by the Interim Committee represents

a prudent compromise, and will in no way weaken our efforts to control inflation. The Interim Committee has also agreed on significant new steps to increase the usability and usefulness of SDRs. We welcome this important progress in the development of that reserve asset.

The Fund has begun to implement new policies and procedures in surveillance over exchange arrangements and the international monetary system more generally. We believe that development of the Fund's role in surveillance is critical to our future management of the international monetary system. We will give our full support, and we are confident that others will do likewise.

We note with great interest the actions being undertaken by members of the European Economic Community to move toward their goal of economic and monetary integration, a goal the United States has long supported. It is of key importance that the monetary arrangements developed by the European Community contribute to the strengthening and stability of the global monetary system and to the central role of the IMF within that system. I am confident that this will be the case.

#### The Developing Countries and the World Bank

I turn now to the second half of our agenda -- the problems of the developing nations and the actions needed to support the World Bank Group in carrying out its major responsibilities.

I am greatly encouraged by the economic progress the developing countries continue to make. Economic growth has remained strong in the face of the deep economic disturbances of a few years ago. The developing nations' trade has been robust, and their foreign exchange reserves have been greatly strengthened.

Thus the flexibility, strength and dynamic character of the world economic system have effectively served the interests of developing as well as industrial countries.

All this is promising, but it is far from enough. President McNamara yesterday painted a broad, balanced and vivid canvas for all of us to ponder. The Bank's World Development Report also gives us an invaluable guide to the tasks ahead.

We confront a somber situation. Even if the present encouraging trends continue, there will still be 600 million people in the world facing absolute poverty by the end of the century. If the economic pace should falter, or if family planning programs do not expand, that number could be one billion. A tolerable world for the next generation requires that the developing economies grow faster, and that the benefits of that growth be distributed more widely. This outcome will depend on greater efforts in a number of areas by both industrial and developing countries, and closer cooperation among them.

First, the developing countries must have the opportunity to earn their own way through trade. The United States will do its share, along with other industrial countries, to maintain an open world trade system. In the GATT negotiations, the United States supports a 40 percent across-the-board reduction in present tariffs using the principle of normalization to reduce higher tariffs by larger amounts. It supports easing of non-tariff restrictions. It will resist pressures for safeguards to limit the market access of developing countries.

For their part, the developing countries -- particularly those whose trading interests are already strong -- must participate as partners in this endeavor, providing reciprocal concessions and doing their share to support the rules that make an open trading system possible. Otherwise, the prospects for trade liberalization will be diminished.

Second, the developing countries must have access to a growing flow of non-concessional capital from abroad. This is particularly needed by the middle-income countries. Here again mutual obligations exist. The industrial countries must make sure that capital markets remain open and that mechanisms are in place that will enable them to operate smoothly. To sustain this flow, the borrowing countries must demonstrate that they can use this capital productively, and that they can maintain an encouraging investment climate.

Third, concessional capital flows must increase in real terms, must go predominantly to the poorer countries, and must produce tangible benefits and enlarged economic opportunities for the poorest people in those countries. The United States proposes to increase its concessional aid in the future and expects to appropriate \$6.8 billion for such aid in fiscal year 1979.

Fourth, the objectives we seek to achieve will require greater policy emphasis on efforts to alleviate rural and urban poverty, to increase the productivity and employment opportunities of the poor, and to increase food production.

Energy is another high priority area. The high cost of oil greatly increases the need to develop new sources of primary energy fuels in the developing countries. The United States strongly supports World Bank initiatives in this area and stands ready to help with technical and other assistance for energy development.

The World Bank stands at the center of this exercise in economic cooperation. It is the largest single source of development capital and a catalyst for the mobilization of private foreign capital. Bank projects are increasingly concentrated on improving the productivity of the poor and on fostering a wider distribution of the benefits of economic growth. Because of its sustained and wide experience in

development, the Bank is in a position to provide sound advice to borrowing governments, and because of its financial structure, the Bank ensures a fair system of burden sharing for lenders and donors.

For these reasons, the United States will continue to provide firm support for the World Bank Group along with the regional development banks.

- This year the United States expects to appropriate \$2.6 billion for its share in financing the multilateral development banks.
- At the Bonn Summit Meeting the United States joined other nations in pledging to support an increase in IDA lending in real terms. I can assure you that my government will play an active, constructive role when IDA VI negotiations begin this year.
- The United States believes that the World Bank lending should increase by roughly 5 percent a year over the medium term and supports a substantial increase in the capital of the World Bank to make this possible. I hope that discussions on a general capital increase can resume this Fall and that agreement in principle will be reached soon.

In sum, my government supports an expansion in the operations of the World Bank and the redirection of its effort in the fight against poverty. This is an essential underpinning to a healthy international economic and political order.

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Mr. Chairman, in addressing this meeting I find myself following the convention of commenting separately on the activities of the Fund and the Bank. This is a useful convention, but somewhat artificial. Those who participated at Bretton Woods were keenly aware of the interrelationships in the work of the twin institutions they founded in a world recovering from war. Recent events have once again demonstrated that the course of world inflation, international payments, international trade and economic development are inextricably linked.

The progress that nations have made on all these fronts since the world recession has been considerable. But more must be done. My government will do its part to promote this progress, by supporting an open world economy, by continuing to assure the free flow of goods and capital, by increasing aid flows, and by working to strengthen its own policies at home.



FOR RELEASE AT 4:00 P.M.

September 26, 1978

**TREASURY'S WEEKLY BILL OFFERING**

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately \$5,700 million, to be issued October 5, 1978. This offering will not provide new cash for the Treasury as the maturing bills are outstanding in the amount of \$5,710 million. The two series offered are as follows:

91-day bills (to maturity date) for approximately \$2,300 million, representing an additional amount of bills dated July 6, 1978, and to mature January 4, 1979 (CUSIP No. 912793 W2 8), originally issued in the amount of \$3,403 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately \$3,400 million to be dated October 5, 1978, and to mature April 5, 1979 (CUSIP No. 912793 X7 6).

Both series of bills will be issued for cash and in exchange for Treasury bills maturing October 5, 1978. Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold \$3,557 million of the maturing bills. These accounts may exchange bills they hold for the bills now being offered at the weighted average prices of accepted competitive 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, both series of bills will be issued entirely in book-entry form in a minimum amount of \$10,000 and in any higher \$5,000 multiple, 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 Daylight Saving time, Monday, October 2, 1978. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) 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 in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account.

Payment for the full par amount of the bills applied for<sup>16</sup> 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 on all accepted tenders for the<sup>19</sup> difference between the par payment submitted and the actual<sup>10</sup> issue price as determined in the auction.

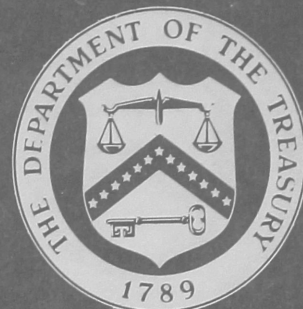
No deposit need accompany tenders from incorporated banks<sup>37</sup> and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, or for bills issued in bearer form, where authorized. 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. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action 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 weighted average price (in three decimals) of accepted competitive bids for the respective issues.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, and bills issued in bearer form must be made or completed at the Federal Reserve Bank or Branch or at the Bureau of the Public Debt on October 5, 1978, in cash or other immediately available funds or in Treasury bills maturing October 5, 1978. Cash adjustments will be made for differences between the par value of the 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 these bills 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 these bills (other than life insurance companies) must include in his or her 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.

3f Department of the Treasury Circulars, No. 418 (current revision), 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.



FOR IMMEDIATE RELEASE  
September 26, 1978

Contact: Alvin M. Hattal  
202/566-8381

**TREASURY DEPARTMENT SAYS MARINE FENDERS  
FROM JAPAN ARE NOT BEING "DUMPED"**

The Treasury Department today announced its final determination that pneumatic marine fenders from Japan are not being sold in the United States at less than fair value.

"Sales at less than fair value" generally occur when merchandise is sold in the United States for less than in the home market or third countries.

Marine fenders are energy-absorbing devices used to absorb the kinetic energy of ships and other vessels during berthing or while moored to a dock, quay, or another vessel.

Notice of this action will appear in the Federal Register of September 29, 1978.

Imports of pneumatic marine fenders from Japan were valued at approximately \$683,000 during calendar year 1977.

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FOR IMMEDIATE RELEASE

September 27, 1978

## RESULTS OF AUCTION OF 15-YEAR 1-MONTH TREASURY BONDS

The Department of the Treasury has accepted \$1,504 million of \$2,480 million of tenders received from the public for the 15-year 1-month bonds auctioned today.

The range of accepted competitive bids was as follows:

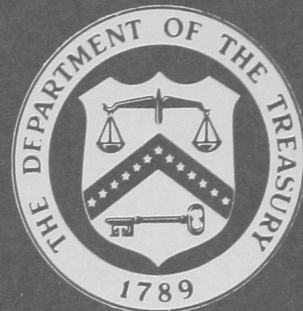
Lowest yield	8.60%	<u>1/</u>
Highest yield	8.65%	
Average yield	8.64%	

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

Low-yield price	100.175
High-yield price	99.757
Average-yield price	99.840

The \$1,504 million of accepted tenders includes \$152 million of noncompetitive tenders and \$1,352 million of competitive tenders from private investors, including 65% of the amount of bonds bid for at the high yield.

1/ Excepting 2 tenders totaling \$51,000



For Release Upon Delivery  
Expected at 10:00 a.m.

STATEMENT OF  
DANIEL I. HALPERIN  
DEPUTY ASSISTANT SECRETARY (Tax Legislation)  
DEPARTMENT OF THE TREASURY  
BEFORE THE  
SUBCOMMITTEE ON MISCELLANEOUS REVENUE MEASURES  
OF THE  
COMMITTEE ON WAYS AND MEANS  
September 29, 1978

Mr. Chairman and Members of the Subcommittee:

I am pleased to have the opportunity to appear this morning to discuss the tax aspects of product liability. As the long roster of witnesses suggests, this subject has sparked a great deal of public interest. The two current approaches to this issue are reflected in a variety of measures\* that would permit deductions for contributions to product liability self-insurance trusts; and S. 3489, introduced by Senator Culver and supported by the Administration, which would extend from three to ten years the carryback period for net operating losses attributable to product liability.

As you may be aware, Mr. Chairman, the Treasury testified last month on product liability before the Subcommittee on Taxation and Debt Management of the Senate Finance Committee. In my testimony before that Subcommittee, I discussed at length the chronology and reasoning that led to the Administration's conclusion, announced by Commerce Secretary Kreps on July 20, 1978, that it should not endorse the various set-aside proposals and to recommend instead the enactment of a special ten-year net operating loss carryback now embodied

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\* These bills include H.R. 10272, H.R. 12429, H.R. 7711 and H.R. 8064, together with some 25 identical bills.

in S. 3489. I have attached to my testimony today a copy of my testimony before the Senate Subcommittee and I ask that it be made a part of the record of these hearings.

I will summarize briefly the reasons underlying the Administration's conclusions. First, the superficially appealing notion that the tax law discriminates in favor of commercial insurance and against self-insurance is based on a misconception. We concluded that existing law, with modification of the treatment of loss carryovers, would provide virtually the same tax benefits as commercial insurance. On the other hand, existing proposals for current deductibility of contributions to self-insurance trusts provide an opportunity for tax deferral and thereby would operate to subsidize self-insurance. Even if a subsidy were justified, the benefit to business from proposals providing current deductibility for contributions to a self-insurance trust cannot justify the administrative complexity involved.

I believe that at the heart of the debate over product liability tax proposals there is confusion over whether, or to what extent, it is possible to self-insure under current tax law and obtain benefits similar to those that would be provided by the set-aside proposals. Much of the discussion we have heard in support of such proposals is premised on the assumption that, without allowing deductions for contributions to a self-insurance trust, it is not possible, or is too costly, to "self-insure." I would like to explore with the Subcommittee the reasons why we have concluded that this is not so.

To be specific, it can be demonstrated under current law, as under the set-aside proposals, a portion of all product liability losses will be provided through tax savings as long as the business has earned enough taxable income to cover the loss. If there were no net income, neither provision will provide a benefit. It is true that current law, with or without S. 3489, would not provide all the same benefits as the set-aside proposals. After I have described the reasons for the identity, I will also describe the nature and significance of the difference.

The essential starting point for the analysis is to recognize that product liability claims are currently deductible in the year paid or incurred. Section 165 of the Internal Revenue Code permits a taxpayer, in computing taxable income, to deduct any business loss that is "not compensated for by insurance or otherwise." (There are

occasions when I think that proponents of set-aside proposals lose sight of this fact.)

To take a simple example, if a corporation, which we'll assume to be in the 50 percent bracket, incurred a \$100 loss for this year, that loss would be deductible, its taxable income would be reduced by \$100, and its tax liability would be reduced by \$50. Through the deductibility of losses the government, in effect, pays a share of the loss according to the marginal income tax rate applicable to the taxpayer. In this example, the net cost of the loss is reduced by the \$50 tax saving. Put another way, through the tax system the government is essentially a co-insurer of any loss--including any product liability loss--incurred.

Now, what is it that a set-aside proposal would do? The essence of this proposal is not to create a new deduction, but rather to alter the timing of the deduction under Section 165. Most of these bills specifically provide that, to the extent a product liability loss or a related expense is paid for out of a self-insurance trust, the deduction otherwise allowable under Section 165 would be denied. Thus, the essence of this measure is to permit a business utilizing a self-insurance trust to obtain an earlier deduction for a contribution to that trust in exchange for which it must forego a later deduction on account of an actual loss.

What do the intended beneficiaries expect to gain by securing an earlier deduction? As we see it, there may be two advantages, aside from tax deferral\* to permitting advance deductions for contributions to a product liability self-insurance trust (assuming that the trust assets ultimately will be expended to pay product liability expenses that would in any event be deductible under Section 165). One is that in the year in which a loss is actually incurred the taxpayer may not have sufficient taxable income against which to deduct the loss. By permitting contributions to be deducted over a period of years, the tax savings from deducting the loss are more apt to be realized. The second possible benefit is that by building up a fund over a period of time a taxpayer can "salt away" funds on a periodic basis for that day when, notwithstanding all its efforts to manufacture safe products, it is faced with a product liability claim.

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\* I would like to postpone my discussion of tax deferral. For that reason, in the discussion that follows, I will ignore the fact that the assets in these trusts would be earning income and ignore also the question of whether that income should be taxable or exempt. These issues are at the heart of the Administration's objections and I will deal with them in due course.

The points in response that I would like to make are that, first, under current law, particularly as modified by a measure such as S. 3489, a taxpayer can be assured that the deduction to which it is entitled by reason of a product liability claim can effectively be utilized. As to the second argument, a business is not precluded from establishing a reserve fund merely because it is not allowed a tax deduction for the contribution. Such a taxpayer can put aside a smaller sum in tax-paid dollars which, together with the tax benefits of deducting loss when incurred, will put it in virtually as good a position to defray the loss as if it had set aside larger amounts year by year under a set-aside proposal.

To illustrate the first point, suppose that in 1977 our corporation earned income of \$1,000 and, again assuming it paid tax at a rate of 50 percent, its tax bill came to \$500. Suppose further that in 1978, the year in which it incurred a \$100 product liability loss, its taxable income, computed without regard for that loss, was zero. This is just one of those situations for which the set-aside proposals are designed. Considering the current taxable year alone, the corporation obviously can realize no tax benefit from being able to deduct that loss: even without the deduction it had no taxable income and therefore has no tax to pay. All the \$100 product liability loss would do would be to create a \$100 "net operating loss".

However, the Internal Revenue Code currently contains a means by which to average income earned and losses incurred in discrete taxable years. The mechanism is provided in the net operating loss carryover provision of Section 172 of the Code. Section 172, in general, permits a net operating loss to be carried back and applied against taxable income earned during each of the three years preceding the year in which the loss arose; and, if the income during those three years is insufficient to absorb the loss, to carry it forward and apply it against taxable income earned during any of the seven succeeding years.\*

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\* In general, a taxpayer is in a better position if a net operating loss can be applied against and absorbed by taxable income for a prior year, that is, by a net operating loss carryback. Use of a carryback gives rise to an immediate tax refund. In contrast, where a net operating loss must be carried forward to a subsequent taxable year, the taxpayer must await the carryforward year before realizing the benefits of the net operating loss. For that reason, S.3489, by extending the carryback for net operating losses attributable to product liability from three years to 10, will increase substantially the extent to which a tax refund from a net operating loss due to product liability would be obtained promptly.

Under existing law, the taxpayer in our example can, therefore, carry back its \$100 net operating loss from 1978 (in this case due to product liability, but it could be due to anything else) and apply it against the \$1,000 of taxable income it earned in 1977. Its taxable income would be reduced from \$1,000 to \$900, and its tax bill (at a 50 percent rate) from \$500 to \$450. Since it had already paid \$500 in tax for 1977, it would be entitled to a refund of \$50. Thus, the net cost of the product liability loss, the gross amount of which was \$100, is reduced to \$50, and the taxpayer is in precisely the same position as if it had been able to apply the loss against taxable income earned this year. (It is also in essentially the same position as if, last year, it had set aside and deducted a \$100 contribution to a self-insurance trust.)

The availability of a net operating loss carryover tends to reduce the likelihood that if, because of inadequate taxable income, a taxpayer is unable to realize the benefits of deducting a loss in the year the loss is incurred, the benefit of the deduction will be lost. Instead, the deduction is effectively spread over a longer period, which tends to insure the realization of those benefits. Under current law, the general carryback period is limited to the three preceding years; for losses attributable to product liability S. 3489 would extend it to 10. Apart from deferral, this is the same as allowing a set-aside for a ten-year period limited only by the taxable income during those ten years. Put another way, the ten-year carryback provides the same ability to obtain the benefits of deducting a loss as would an unlimited ten-year set-aside. Of course, a taxpayer which did not have income in the preceeding 10 years would not benefit from the carryback but neither would that taxpayer obtain any advantage from the deduction allowed by a set-aside.

Let's turn then to the second perceived advantage of the set-aside proposals, namely that they would permit taxpayers to salt away some money for the day when a product liability claim arises.

In each of the preceding examples, the taxpayer incurred a \$100 product liability claim from which it realized tax benefits of \$50. The other \$50 of the claim it had to pay itself. In the example where the corporation had no taxable income in the year the loss was incurred, some may ask what the source of the payment will be.

But is there any reason, despite the absence of a set-aside deduction, why it could not have set funds aside specifically to cover such a contingency? Mr. Chairman, the crucial point is that it could have put money aside to pay a product liability claim, even though it had paid tax on the money. When it actually incurred the loss the tax benefits would fall automatically into place.

Let's look at year one, the year when the taxpayer earned \$1,000 in taxable income, paid tax of \$500 and had \$500 left over in cash. Let's assume the taxpayer concluded that, despite its diligent efforts at making safe products, it was fortunate not to have incurred any product liability claims and might not be as lucky next year. Consequently, it concludes it should put something aside to make sure that if such a claim should arise, it will have cash to cover it.

How much should be put aside for this purpose, assuming the taxpayer believes that the loss (if it occurs) will amount to approximately \$100? We know that if a \$100 loss is incurred the government will pay for \$50. This comes about, as we have already seen, by virtue of the ability to deduct that loss. Moreover, the taxpayer will be entitled to the tax benefit of deducting that \$100 loss whether it has \$1 million of taxable income next year or zero. Consequently, to provide for a \$100 product liability claim, the taxpayer surely should not put aside \$100. The appropriate amount is the estimate of the loss (\$100) less the estimated tax savings (\$50) that will accrue to the taxpayer by virtue of the deduction under section 165. In essence the trust contains the equivalent of \$100, \$50 in cash and \$50 in a potential tax refund.

The point of all these examples, Mr. Chairman, is that, under current tax law, a business is quite able to set aside money to cover a self-insured risk even though it gets no deduction for, and thus must pay tax on, the money that is set aside for that purpose.

Up to now, we have tried to point out why businesses can obtain the protection they seek without a current deduction for a contribution to a reserve. Let me now turn to our objections to the proposal. The set-aside proposals advance the timing of deductions for contributions to self-insurance trust and exempts from taxation the earnings on that trust. In contrast, if a taxpayer were to self-insure with tax-paid dollars, he would be earning interest on a somewhat smaller amount and the earnings on that amount would be taxable. The combined benefits of current deductibility and tax exemption amount to tax deferral, to which the Administration objects.

But, it is argued, a taxpayer which purchases commercial insurance obtains a current deduction. Why is it reasonable to deny what seems to be a similar benefit to those who self-insure? There are several reasons for doing so. First, under current law, no deduction is permitted for losses that are compensated by insurance. It follows from this fact that an insured is no better off by deducting premiums at an earlier date than by deducting an uninsured loss when incurred. Moreover, casualty insurers are taxable on their income both from premiums and investment of those premiums. Finally, unlike commercial insurance premiums, which are lost forever to the insured, money placed in a self-insurance trust may very well revert to the self-insured. Taken together, these considerations lead to the conclusion that a self-insured might be better off with a self-insurance set-aside proposal than through commercial insurance.

Furthermore, the deferral benefits to a taxpayer from a set-aside measure must be weighed against the burden imposed on the tax system. First, there is no assurance that amounts set aside in an exempt self-insurance trust will ever be expended to pay product liability claims. Ultimately, they may revert to the business. For example, a business in all good faith could over ten years put several hundred thousand dollars in a self-insurance trust and never be obliged to pay one cent of product liability expense. Suppose that, at the end of that ten years, the taxpayer were to conclude in light of fortunate experience that it no longer needed the trust. Under most of these set-aside measures, the taxpayer would apply to the Commissioner for consent to terminate the trust and, if the circumstances seemed appropriate, consent would be forthcoming. The bill then provides that all amounts in the trust would be taken into income on termination. While the mathematics are complex, it can be

demonstrated to a certainty that, even taxing all amounts in the trust when it was terminated and its assets distributed, the taxpayer would be in a far better position than if he had never established the trust. We do not think that the sponsors of this proposal intend that businesses should be money ahead simply by establishing a product liability self-insurance trust and terminating it at some later date.

This possibility is especially objectionable in the context of measures like the set-aside proposals under which contributions need bear no relationship whatever to any particular taxpayer's likely level of product liability claims. For some businesses, the amounts set aside will be insufficient to cover all their product liability expenses. For others, the amounts set aside may well exceed by a substantial amount what they will need to pay for product liability. For the latter taxpayers -- those with least need of the trust -- there will be greater benefits from deferral and those benefits will be augmented the longer the period for which their money is tied up. We regard this to be an inappropriate result.

It is all the more inappropriate because it is needless. As I have already pointed out, all the benefits other than deferral could be obtained under current law, especially as modified by S. 3489. Under such an approach, in contrast with the set-aside approach, the benefits of deducting losses under section 165 would accrue only to those who actually incur such losses. It would not provide any windfall subsidy to those who set up a trust only to terminate it and receive back the assets in the trust after it had been in existence for a period of years.

For these reasons, Mr. Chairman, we urge the Subcommittee not to report H.R. 12429 and, instead, to act favorably on the principle embodied in S. 3489.

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(EXCERPT)

TESTIMONY OF  
DANIEL I. HALPERIN  
ACTING DEPUTY ASSISTANT SECRETARY (TAX LEGISLATION)  
OFFICE OF TAX POLICY, DEPARTMENT OF THE TREASURY  
BEFORE THE  
SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT OF THE  
SENATE FINANCE COMMITTEE  
August 28, 1978

Mr. Chairman and Members of this Subcommittee:

Product Liability (S. 1611, S. 3049)

Mr. Chairman, I would now like to turn to S. 1611 and S. 3049, both of which are measures designed to facilitate self-insurance of product liability risks. With the Chair's consent, I would also like to consider with the Subcommittee an Administration-sponsored alternative to the approach taken by S. 1611 and S. 3049, both of which the Administration opposes.

Both S. 3049 and S. 1611 would amend Section 165 of the Code to provide current deductions for contributions to product liability self-insurance accounts. In both instances, annual contributions would be limited to a percentage of gross revenues subject to a dollar maximum, and the aggregate funding of the trust would similarly be subject to both percentage and dollar limitations. S. 3049, which constitutes the more comprehensive treatment, provides separate limitations for taxpayers in general and for those having a "severe product liability problem." Contributions are required to be made to an independently trustee, segregated account, the assets of which may be invested only in Federal, State or local debt securities or instruments of deposit in a financial institution, and which may not be used for any purpose other than satisfying product liability losses. To the extent a product liability loss is paid out of the proceeds of the account, no further deduction under Section 165 is allowed, and penalty taxes are imposed to insure that proceeds of the account are not used for an inappropriate purpose. Special rules are provided for groups of affiliated companies and for contributions to a wholly-owned (or "captive") insurance company.

The tax treatment of product liability self-insurance is a subject that not only has been the source of lively public and Congressional debate, but has received a most thoroughgoing review by the Administration. My testimony on this subject will constitute an effort to share with this Subcommittee the reasons that have led the Administration to oppose S. 1611 and S. 3049 and to endorse an alternative proposal that would extend to ten years the carryback period for net operating losses attributable to product liability.

The nature and degree of the product liability problem has been thoroughly studied by an Interagency Task Force headed by the Department of Commerce. In its Final Report, the Task Force outlined a number of steps, including a variety of tort law revisions and changes to casualty insurance ratemaking practices, that ought to be seriously studied and possibly implemented to deal with the root causes of the product liability problem. At the same time, the Task Force Report suggested that interim relief might be

provided through the tax system. The relief considered in the report would have been to permit deductions within certain limits for contributions to self-insurance trusts. This proposal was recognized by the Task Force as being of an admittedly short-term nature, and to constitute no substitute for longer term revisions to local tort law and insurance ratemaking practices needed to deal with the root causes of the product liability problem. Moreover, the short-term tax recommendation was based principally on the perception that by permitting deductions for casualty insurance premiums but not for contributions to self-insurance funds, the tax law discriminated against self-insurance. The Task Force Report cautioned, however, that any such proposal should not be advanced without a more thorough study of its merits.

That follow-up study now has been completed. The Administration's conclusions and proposal were announced by Commerce Secretary Kreps on July 20, 1978. The reasons that led the Administration not to endorse a deduction for contributions to product liability self-insurance reserves are essentially three. First, the superficially appealing notion that the tax law discriminates in favor of commercial insurance and against self-insurance is in fact based on a misapprehension. Second, the existing proposals for current deductibility of contributions to self-insurance trusts provide an opportunity for deferral of taxes and thereby would operate to subsidize self-insurance. Because self-insurance is inherently inefficient by contrast with commercial insurance, and because of technical difficulties stemming from the inability to estimate future product liability losses, we concluded that extending such a subsidy would not be appropriate. Finally, we concluded that existing law, with some modification, would provide virtually the same tax benefits, other than deferral, as proposals providing current deductibility for contributions to a self-insurance trust, and with far less administrative complexity. The necessary modification, as I have already noted, would be to amend current law to provide a special 10-year net operating loss carryback, in contrast to the three-year net operating loss carryback generally available under current law, for losses attributable to product liability. Let me now explore each of these reasons in somewhat greater detail.

It is a misconception to believe that, because commercial insurance premiums paid in the ordinary course of a trade or business are deductible and contributions to a self-insurance trust are not, the tax law discriminates

against self-insurance. Product liability losses incurred in a trade or business are, of course, deductible when incurred under section 165 of the Code. The deduction under 165 is disallowed, however, for any loss to the extent such loss is "compensated for by insurance or otherwise." Thus, the enterprise paying premiums for commercial product liability insurance may only deduct those premiums when paid or incurred. To the extent the loss is reimbursed by the insurer, however, no further deduction is permitted. Consequently, the tax treatment of self-insured and commercially insured losses is essentially symmetrical. There is no discrimination to be cured.

In view of the fact that the tax law does not discriminate against self-insurance, some other rationale for permitting current deductions to self-insurance trusts must be found. And, in considering the possibilities, one must recognize that conferring current deductions for contributions to self-insurance trusts, where such trusts are tax exempt, invariably gives rise to tax deferral.\* That deferral constitutes a subsidy to self-insurance. Consequently, the pivotal question is whether any subsidy, and if so whether a subsidy in the form of deferral, is warranted.

Taking the second question first, the Administration concluded that if a subsidy for product liability self-insurance was appropriate, deferral was not the appropriate mechanism by which to deliver it. The benefits of deferral vary with the marginal rate of the taxpayer and with the period of time for which taxes are deferred. Thus, while a good many corporate taxpayers are in the top 48 percent bracket, those in lower brackets would benefit less. Similarly, the greatest benefits would accrue to those whose

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\* The earnings of the trust are in effect taxed at the time of the loss since no further deduction is allowed even though the loss exceeds the original contribution.

funds remained on deposit the longest, who well might be those with less in the way of product liability losses. Finally, because a subsidy in the form of deferral is off-budget, it is subject to less rigorous scrutiny than a subsidy required to be appropriated.

The Administration also concluded that the case for subsidizing self-insurance of product liability losses generally was not strong. The principal basis for this conclusion was that self-insurance very well may be the least efficient form of insurance. By "least efficient", I mean simply that, to self-insure, the insured party is required to put up \$1 of capital for every dollar of risk insured. Because, in contrast, commercial insurance involves the pooling of covered risks, the amount of capital required per dollar of coverage is significantly smaller. Consider, for example, the case of four business enterprises each of which is reasonably certain that it will incur a \$100 loss at some time during the next four years. None is certain when its loss will occur but probability tells us that if each of the participants has a one-in-four chance of incurring a loss during each of the next four years, it is likely that one of the four will incur a loss each year. For each firm to self-insure would require each to place roughly \$100 in a self-insurance trust. If the four were, instead, to engage in a pooling arrangement similar to mutual insurance, each would have to tie up only roughly \$25 each year. The \$100 (\$25 from each participant) would be pooled in the participants' mutual insurance company and would be used to pay the likely claim of the one participant who incurred a loss each year. By sharing their risks, each participant would thus be able to spread its contribution to the shared risks over a four-year period, rather than having to self-insure for nearly the full \$100 for the entire period. Because of such economies in a risk-sharing arrangement, commercial insurance is inherently more efficient than self-insurance.

The problems with self-insurance are compounded where, as in the case of product liability, it is next to impossible to predict the magnitude of future risks. This difficulty is reflected by the fact that both S. 1611 and S. 3049 provide for deductions limited, not by a taxpayer's anticipated experience, but by a percentage of sales subject to ceilings on annual contributions and maximum funding of the product liability loss reserve account. Because such contributions are not limited, and indeed in practice could not be limited,

to amounts that bear some relationship to a taxpayer's actual experience, the contributions to such accounts well might be excessive for some taxpayers, wholly inadequate for others, and in only random instances would bear any relationship to the need of particular taxpayers. Because of this randomness, the amount of subsidy afforded by these proposals would also be random.\*

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\* Indeed, the amounts for which S. 3049 and S. 1611 would permit tax deductibility would not be properly accruable for financial accounting purposes. A reserve for self-insurance of possible future losses is in the nature of a general contingency reserve, the contingency in the case of S. 3049 and S. 1611 being possible future product liability loss. Statement number 5 of the Financial Accounting Standards Board ("FASB") provides that, before liability for a loss contingency may be recognized, (1) information available must indicate that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statement, and (2) the amount of the loss must be reasonably estimated. Under these provisions, contingency reserves constitute liabilities for which no accrual is permitted and FASB Statement number 5 specifically so provides. A potential liability of this type need not be disclosed in supplemental information unless there is a reasonable possibility that a loss has been incurred. This treatment is required by generally accepted accounting principles even though the reserve is funded through a segregated trust or through the use of a captive insurer.

It is also worth noting that amounts for which a deduction would be permitted by S. 3049 or S. 1611 would not have been deductible under the general rules, once promulgated by Congress, that would have conformed tax accounting to general accepted accounting principles. As originally enacted, the Internal Revenue Code of 1954 contained two sections--Sections 452 and 462--which would have allowed for the deferral of prepaid income and deductibility of additions to reserves for estimated expenses. These provisions were repealed retroactively in 1954. It is noteworthy that the regulations promulgated under Section 462 provided that allowable reserves for estimated expenses did not include reserves for general, undetermined contingencies for indefinite possible future losses. See Regulations Section 1.462-5(b)(4), T.D. 6134. Thus, even under the liberal standards of former Section 462, no deduction would have been allowed for additions to reserves for product liability losses.

Finally, the existence of exempt, self-insurance trusts would require complex administrative controls. For one thing, the Internal Revenue Service would be required to insure that such trusts were not overfunded and that their investments were limited in the manner required by, for example, S. 3049. Moreover, extremely complex accounting would be required to define the appropriate tax treatment to be applied on nonqualifying distributions from, or liquidations of, such product liability loss reserve accounts. Presumably, the sponsors of such provisions would wish to provide that, if an enterprise established a product liability loss reserve account and, after a number of years, decided that it no longer needed the account, the taxpayer should reap no benefits by virtue of having established and maintained the account. In order to give effect to this result, extremely complex accounting provisions would be required to bring the taxpayer back to square one. It would, I should note, not be sufficient simply to provide that all amounts distributed from the account be subjected to tax.

For all these reasons -- the fact that self-insurance is inherently inefficient, the fact that contributions to such accounts would bear no relationship to a taxpayer's actual experience, and the administrative complexity that these proposals would entail -- we do not think the Congress should endorse a provision that would subsidize such self-insurance through the tax system.

Having concluded that the Administration should not endorse proposals to subsidize through the tax system self-insurance of product liability risks, did not stop there. Apart from its deferral aspect, a proposal to allow a current deduction for contributions to a self-insurance trust can be regarded as a method of averaging product liability losses over a period of several years. For example, a taxpayer who put a thousand dollars in a product liability loss reserve account for each of 10 years, and who at the end of that 10 years incurred a \$10,000 product liability loss, would effectively have spread the burden of that loss over a 10-year period. Thus, we asked whether there were any revisions to current law that might accomplish this result but that would not entail deferral. Under current law, the method by which taxpayers are permitted to average losses over a longer period than the year in which the loss is incurred is in the net operating loss carryover provisions of Section 172 of the Code. In general, a net operating loss may be carried back and applied against taxable income earned during the three years preceding, and carried forward

and applied against income in the seven years following, the year in which the loss was incurred. Where a net operating loss is carried back to a prior taxable year, it is applied against income earned during that year and gives rise to an immediate claim for refund of taxes paid on that income. In view of the fact that product liability may give rise to sporadic but extraordinary losses, we were prompted to inquire whether the three year carryback period of current law was adequate. In this connection, we noted that in some instances, for example financial institutions, the Congress had already concluded that a net operating loss carryback period of longer than three years would be appropriate, and we asked whether a similar proposal might not be adopted for net operating losses attributable to product liability. We have concluded, Mr. Chairman, that it would. Consequently, as you know, on August 1, 1978, the Administration forwarded to Chairman Long, Chairman Ullman and other interested members of the Congress a proposal to modify Section 172 to provide a ten-year net operating loss carryback for losses attributable to product liability.

Mr. Chairman, we believe that this net operating loss carryback proposal constitutes an appropriate tax response to the product liability problem and should be endorsed by this Subcommittee in lieu of proposals such as S. 3049 and S. 1611. As modified by this proposal, we believe that current law will provide nearly all the benefits to taxpayers--other than deferral of taxes--that they would obtain from being permitted to deduct contributions to a product liability self-insurance trust. In this connection, I would like to consider two arguments that have been raised in support of the contention that allowing a deduction for product liability set-asides would be preferable to current law, even as modified by the ten-year net operating loss carryback that the Administration has proposed.

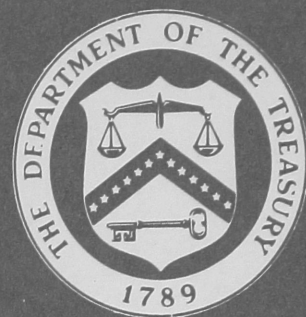
First, it is said that by encouraging businesses to establish self-insurance reserves for product liability, measures such as S. 3049 would facilitate retention of product liability risks and put pressure on the insurance industry to reduce rates for commercial product liability coverage. The answer, we believe, is that nothing in current law precludes a firm from self-insuring by setting aside some reserves--in tax paid rather than pre-tax dollars--to provide for product liability risks. Indeed, a firm that desired to obtain under current law the equivalent in self-insurance through contributions to a self-insurance trust would be required to put up roughly half the amount in tax

paid dollars as would be required for a reserve funded with pre-tax dollars. This difference arises because, when a reserve is funded with after-tax dollars, the loss against which the reserve is maintained remains fully deductible and the deduction gives rise to a corresponding decrease in Federal income tax liability. Businesses will, therefore, remain free to self-insure a portion of their risk with after-tax dollars, knowing that, through their ability to deduct the loss, they are essentially "insured with the government" for the amount of the tax benefit of the deduction. Moreover, if the ten-year net operating loss carryback proposal is adopted, as we believe it should be, such businesses will have the assurance that the government will defray a portion of their loss even if they have no taxable income in the year the loss is incurred.

Second, it has been suggested that when a firm establishes a self-insurance reserve, the knowledge that its own money is "at stake" should a product liability loss be incurred will encourage it to show greater concern for the safety of its products. We believe that, under current law, and as modified by the Administration proposal, the incentive to make safe products will be every bit as great. The firm that self-insures without providing segregated self-insurance reserves--the firm that "goes bare"--has perhaps the greatest incentive to make safe products since, absent commercial coverage or a reserve, the equity in its business is at stake. This incentive would not be reduced by extending the net operating loss carryback for product liability losses. While the availability of that carryback would tend to insure that each taxpayer will realize immediately the tax benefits of being able to deduct the loss, even for a taxpayer in the 48 percent tax bracket, the government only pays 48 cents on each dollar of loss. To the extent of the other 52 percent, the taxpayer's reserve (if it has one), or its equity in its business (if it does not), remains at risk for the loss. Consequently, we do not think current law as modified by the ten-year net operating loss carryback, will diminish at all the incentives that exist to produce safe products.

In sum, Mr. Chairman, we believe that current law, as modified by a ten-year net operating loss carryback, provides an appropriate response to those who desire to encourage self-insurance of product liability risks. We think it would be far more equitable than either S. 3049 or S. 1611, since it would not involve tax deferral. We think it is far more efficient, since it neither requires nor forecloses

businesses from setting up self-insurance reserves--with tax- paid dollars--at the level they consider to be appropriate. And we think it would be far more simple to administer, since the loss carryback would come into play only to the extent it was necessary, and would not require cumbersome administrative machinery to police the use of self-insurance trusts. For these reasons, the Administration urges the Subcommittee to give favorable consideration to the ten-year net operating loss carryback proposal. It would oppose adoption of either S. 3049 or S. 1611.



FOR IMMEDIATE RELEASE  
EXPECTED AT 10:00 A.M. EDT  
THURSDAY, SEPTEMBER 28, 1978

STATEMENT BY THE HONORABLE C. FRED BERGSTEN  
ASSISTANT SECRETARY OF THE TREASURY  
FOR INTERNATIONAL AFFAIRS  
BEFORE THE  
SENATE COMMERCE, SCIENCE AND TRANSPORTATION COMMITTEE

The Framework for a New Export Policy

In 1977, the United States incurred the largest current account deficit in its history -- \$15 billion. The trade deficit has remained large during the first seven months of 1978. Underlying trends in trade flows suggest that the deficit has been diminishing since February. <sup>1/</sup> As a result of faster growth abroad, somewhat slower growth in the United States, and the increased price competitiveness of U.S. goods, the current account deficit should continue to decline during the next several quarters.

But we cannot simply rely on a forecast of better times.

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<sup>1/</sup> Monthly trade figures (Census Basis) showed a sharp drop in the deficit in August 1978 (\$1.62 billion) following a sharp rise in July 1978 (\$2.99 billion) which in turn came after a sharp drop in June 1978 (\$1.60 billion). Month-to-month figures are often erratic, but the underlying trend clearly seems to indicate a declining deficit.

A large deficit undermines the strength of the dollar which in turn fuels inflation and leads nations around the world to question our ability to successfully manage our own economy. We must take visible policy steps to turn the adverse current account figures around.

Correction of the deficit will take time. But the clear message, both from the exchange markets and from our trading partners, is that we must act now in a forceful and decisive fashion to reduce the deficit. The export policy announced by the President on Tuesday is an important part of the Administration's response to the deficit, and to the position of the dollar in the exchange markets. The other central elements of that response include the new anti-inflation program which the President will announce shortly, the energy program now nearing passage by the Congress, tightening of monetary policy by the Federal Reserve, gold sales by Treasury and other "bridging" actions. The direct effort to expand U.S. exports is an integral part of the overall package.

#### The Export Problem

The U.S. export problem, and the new export policy, go beyond our immediate concern for the dollar and our current account deficit. The United States has simply never had to emphasize exports as have other countries. U.S. manufacturers have been content with supplying the large U.S. market and have never really focused on exports.

Our growing economic dependence on the rest of the world now dictates that we become more attuned to exports -- just as we must learn to use energy more efficiently and just as some of our major trading partners, notably Japan, must become more attuned to imports. The measures announced by the President on Tuesday do not offer a quick fix, for the simple reason that we must address a long-term structural problem.

Over the past two decades, U.S. exports have grown at only half the rate of other industrial nations. The U.S. share of total manufactured exports by 15 industrial countries hit its low point of 19.2 percent in 1972, and then rose to 21.1 percent in 1975. Since then, our export share has retreated to its 1972 level. In the first quarter of 1978 it fell further to 18.9, the lowest since mid-1972.

Our competitors, by contrast, have managed a real export growth rate (even excluding their exports to the United States) of nearly 4 percent per year since 1974 despite slow worldwide economic growth.

There are several reasons for these developments. Our major markets, such as Canada and Latin America, have grown more slowly than the major markets of some of our competitors. A number of advanced developing countries (ADCs), primarily in East Asia, have seized a significant market share from all industrialized countries. The appreciation of the dollar

in 1975 hampered our price competitiveness in the recent past and has affected our export performance. In addition, exchange rate changes of late 1977 - early 1978 are distorting short-run trade shares which are calculated in value terms expressed in dollars. But our deep-seated national indifference to exports -- both in the private sector and in the U.S. Government -- has clearly played a role. Such indifference is now simply too costly.

#### Increasing U.S. Exports

A better export performance by the United States would spur growth in our economy and create jobs. Stronger exports would help stem the decline in the value of the dollar and thus fight inflation. But increasing our exports presents a major challenge to business, to labor and to the U.S. Government. It requires attention to many factors -- including productivity, price competitiveness, industrial innovation and initiative, and Government policies.

A key determinant of U.S. competitiveness abroad is the productivity of our domestic economy. Productivity largely depends on new investment. In the last five years, productive capital per worker has been virtually stagnant -- resulting in a sharp reduction in productivity growth. The Administration's tax recommendations sent to the Congress this year are designed to stimulate capital formation and national productivity.

Another determinant of U.S. competitiveness abroad is the rate of inflation. Excessive inflation here, particularly by comparison with Germany and Japan, has eroded our international competitiveness. The President's anti-inflation program will consist of a broad set of measures designed to bring down the U.S. inflation rate. As those measures take effect, our trade position will improve.

The United States has traditionally enjoyed a comparative advantage in high technology exports. To assure that this advantage is maintained, we have established a task force to examine both public and private research and development efforts. The task force will concentrate on regulatory policies that stifle U.S. inventiveness. Its proposals will further strengthen our economy at home, and its ability to meet competition from abroad.

We are also taking important international initiatives to improve U.S. export performance. Trade restrictions imposed by other countries inhibit our ability to export. Tariff, and especially non-tariff, barriers restrict our ability to develop new foreign markets and expand existing ones. We have been aggressively attacking these barriers through the Multilateral Trade Negotiations in Geneva. We are encouraged by the progress to date; the intensity of the negotiations is increasing as we approach the December 15 deadline.

Foreign governments have increased the financial credits and subsidies offered to their own exporters, sometimes to the disadvantage of U.S. exporters. We have addressed this problem in three ways. First, we have negotiated an International Arrangement governing the use of government financing of exports. Second, in the Multilateral Trade Negotiations, we are negotiating an international code to restrict the use of government subsidies for exports -- to assure that U.S. exporters do not face unfair competition. Third, if foreign government competition in the area of export financing cannot be restrained, we will meet it by appropriate matching programs.

U.S. Government regulations have also had a negative impact on U.S. export performance. In order to achieve a varied range of foreign policy objectives, the U.S. Government has restricted the sales of certain items to particular countries. Not only have these policies directly reduced sales, they have had a chilling effect on other potential sales of unrestricted items. The United States is gaining an image of an unreliable supplier. Foreign purchasers, even though not currently restricted, may decide to buy elsewhere for fear that they may be cut off in the future. The new export policy seeks to confine the negative export impact of other policies to those few cases where vital national interests are at stake.

### The Outlook for the Future

All these efforts are important elements in our attempt to increase our export growth. But they are not sufficient in themselves. Our export priorities must be changed.

In the course of Government policy-making, export consequences are frequently outweighed by other national objectives. Business, as well, too often places insufficient priority on exporting. Too many companies do not believe that exporting is worth the effort.

International economic changes over the past year have altered the fundamental conditions. U.S. businessmen need to take a new look at these changed conditions.

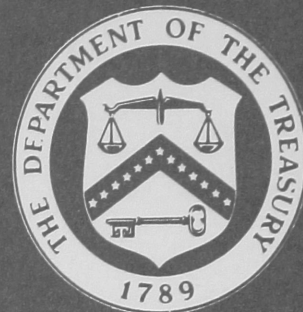
First, changes in the value of the dollar in relation to the currencies of some of our major trading partners have dramatically enhanced the price competitiveness of U.S. goods. U.S. manufacturers who may not have been competitive a year ago may now find they can compete quite successfully. A U.S. manufactured item selling for \$100 in June 1977 cost 235 German marks or 27,200 Japanese yen. That same \$100 manufactured item today costs only 196 German marks or 18,800 Japanese yen, declines of 16.6 percent and 30.9 percent respectively. Thus U.S. products are significantly more competitive in Germany and Japan as well as against products of those countries in third markets.

Second, the wage gap between U.S. workers and workers

in other countries has been closing. No longer is it cheaper to manufacture many products abroad and import them into the United States. In Japan wage rates have jumped from 53 percent of the U.S. wage in 1977 to 72 percent in August 1978. Wages in Germany are now equal to or higher than in the United States for several industries. This is a significant factor that both U.S. and foreign firms take into account when they consider whether to locate a new plant in the United States or abroad.

Third, we are doing something right. The share of exports in our GNP has increased significantly in recent years -- rising from 4.1 percent in 1971 to 6.4 percent in 1977. But this share needs to rise even further: every percentage point will add over \$20 billion of export sales, enough to completely eliminate our current account deficit.

In conclusion, it is clear that the U.S. current account deficit is too large. Recent exchange rate adjustments have helped, but additional public and private measures are also needed. Those measures should be targeted directly at our trade problems -- be they oil imports, excessive inflation in the United States, or inadequate export growth. The new export policy is a critical element in our overall strategy.



FOR IMMEDIATE RELEASE  
EXPECTED AT 10:00 A.M. EDT  
FRIDAY, SEPTEMBER 29, 1978

STATEMENT BY THE HONORABLE C. FRED BERGSTEN  
ASSISTANT SECRETARY OF THE TREASURY  
FOR INTERNATIONAL AFFAIRS  
BEFORE THE  
JOINT ECONOMIC COMMITTEE  
SUBCOMMITTEE ON INTERNATIONAL ECONOMICS

The Need for a New Export Policy

President Carter announced a new export policy for the United States on September 26 for two basic reasons.

First, improved export performance is an integral component of our overall effort to strengthen and stabilize the dollar in the foreign exchange markets. The President has personally and repeatedly expressed his concern about the dollar, most recently before the Annual Meeting of the International Monetary Fund and World Bank on September 25. A major cause of weakness in the dollar has been the large and growing deficit in our trade balance and current account. The most constructive way to deal with those deficits is to expand U.S. exports.

It is important to note that recent trends in the trade balance, and the outlook, are encouraging. In each of the last two three-month periods, the average monthly trade deficit declined by half a billion dollars from the previous

three-month period: from \$3.1 billion in December 1977-February 1978 to \$2.6 billion in March-May 1978 to \$2.1 billion in June-August 1978.

For next year, the current account deficit should continue to decline as a result of faster growth abroad, somewhat slower growth in the United States, and the increased price competitiveness of U.S. goods. We believe the deficit could decline by 30-40 percent in 1979. Other observers -- such as the IMF, OECD and Morgan Guaranty -- foresee an even greater reduction in the deficit, ranging between 50-67 percent.

Nevertheless, the United States needs to take new export initiatives. We need to assure that recent trends are continued. We need progress beyond even the most optimistic numbers envisaged for 1979. And we must realize that, whatever the outcome in the short run, U.S. export performance must improve significantly for long-run reasons.

This is the second basic reason for our new export policy. The external economic position of the United States is undergoing an important long-run, structural change. The sharp increase in our dependence on imported oil and, to a lesser extent, other products, means that the share of imports in our GNP has risen sharply. There must

therefore be a concomitant rise in the share of exports in our GNP -- where each single percentage point now means over \$20 billion, enough to completely eliminate our current account deficit even at this year's record level.

The trade deficit was a long time in the making. Correction of the deficit will take time. But the clear message, both from the exchange markets and from our trading partners, is that we must act in a forceful and decisive fashion to do so. The new export policy is an important part of the Administration's response,

#### The Export Problem

The United States has simply never had to emphasize exports as much as other countries. Most U.S. manufacturers have been content with supplying the large U.S. market and have never really focused on exports. Our growing economic dependence on the rest of the world now dictates that we become more attuned to exports -- just as we must learn to use energy more efficiently and just as some of our major trading partners, notably Japan, must become more attuned to imports. The measures announced by the President on Tuesday do not offer a quick fix, for the simple reason that they address a long-term structural problem.

Over the past two decades, U.S. exports have grown at only half the rate of other industrial nations. The U.S.

hit a low point of 19.2 percent in 1972, and then rose to 21.1 percent in 1975. Since then, our export share fell again to 18.9 percent the lowest since mid-1972.

Our competitors, by contrast, have managed a real export growth rate (even excluding their exports to the United States) of nearly 4 percent per year since 1974 despite slow worldwide economic growth.

There are several reasons for these developments. Our major markets, such as Canada and Latin America, have grown more slowly than the major markets of some of our competitors, differential growth rates have cost our trade balance about \$10-15 billion. The substantial appreciation of the dollar in 1975, at a time when our inflation rate was higher than that of other countries, hampered our price competitiveness in the recent past; it probably cost the trade balance about \$5-10 billion. A number of advanced developing countries (ADCs), primarily in East Asia, have seized a significant market share from all industrialized countries. And the exchange rate changes of late 1977 - early 1978 are distorting short-run trade shares which are calculated in value terms expressed in dollars. But our deep-seated national indifference to exports -- both in the private sector and in the U.S. Government -- has clearly played a role. Such indifference is now simply too costly.

### Increasing U.S. Exports

A better export performance by the United States would spur growth in our economy and create jobs. Stronger exports would help stem the decline in the value of the dollar and thus fight inflation. But increasing our exports presents a major challenge to business, to labor and to the U.S. Government. It requires attention to many factors -- including productivity, price competitiveness, industrial innovation and initiative, and Government policies.

A key determinant of U.S. competitiveness abroad is the productivity of our domestic economy. Productivity largely depends on new investment. In the last five years, productive capital per worker has been virtually stagnant -- resulting in a sharp reduction in productivity growth. The Administration's tax recommendations sent to the Congress this year are designed to stimulate capital formation and national productivity.

Another determinant of U.S. competitiveness abroad is the rate of inflation. Excessive inflation here, particularly by comparison with Germany and Japan, has eroded our international competitiveness. The President's anti-inflation program will consist of a broad set of measures designed to bring down the U.S. inflation rate. As those measures take effect, our trade position will improve.

The United States has traditionally enjoyed a comparative advantage in high technology exports. To assure that this advantage is maintained, we have established a task force to examine both public and private research and development efforts. The task force will concentrate inter alia on regulatory policies that stifle U.S. inventiveness. Its proposals will further strengthen our economy at home, and our ability to meet competition from abroad.

We are also taking important international initiatives to improve U.S. export performance. Trade restrictions imposed by other countries inhibit our ability to export. Tariff, and especially non-tariff, barriers restrict our ability to develop new foreign markets and expand existing ones. We have been aggressively attacking these barriers through the Multilateral Trade Negotiations in Geneva. We are encouraged by the progress to date; the intensity of the negotiations will increase as we approach the December 15 deadline.

Foreign governments have increased the financial credits and subsidies offered to their own exporters, sometimes to the disadvantage of U.S. exporters. We have addressed this problem in three ways. First, we have negotiated an International Arrangement governing the use of government financing of exports. Second, in the Multilateral Trade

Negotiations, we are negotiating an international code to restrict the use of government subsidies for exports -- to assure that U.S. exporters do not face unfair competition. Third, if foreign government competition in the area of export financing cannot be restrained, we will match it as needed.

U.S. Government regulations have also had a negative impact on U.S. export performance. In order to achieve a varied range of foreign policy objectives, the U.S. Government has restricted the sales of certain items to particular countries. These policies have not only reduced sales directly. They have also had a chilling effect on other potential sales of unrestricted items.

The United States is gaining an image of being an unreliable supplier. Foreign purchasers, even though not currently restricted, may decide to buy elsewhere for fear that they may be cut off in the future. The new export policy seeks to confine the negative export impact of other policies to those few cases where vital national interests are at stake.

#### The Outlook for the Future

All these efforts are important elements in our attempt to increase U.S. exports. But they are not sufficient in themselves. America's export priorities must be changed.

In the course of Government policy-making, export consequences are frequently outweighed by other national objective Business, as well, too often places insufficient priority on exporting. Too many companies do not believe that exporting is worth the effort.

International economic changes over the past year have altered the fundamental conditions. U.S. businessmen need to take a new look at these changed conditions.

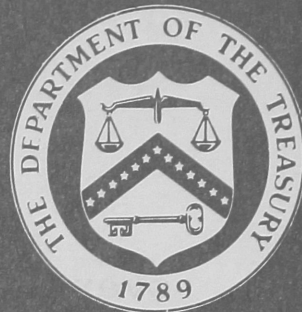
First, changes in the value of the dollar in relation to the currencies of some of our major trading partners have dramatically enhanced the price competitiveness of U.S. goods. U.S. manufacturers who may not have been competitive a year ago may now find they can compete quite successfully. A U.S. manufactured item selling for \$100 in June 1977 cost 235 German marks or 27,200 Japanese yen. That same \$100 manufactured item today costs only 196 German marks or 18,800 Japanese yen, declines of 16.6 percent and 30.9 percent respectively. Thus U.S. products are significantly more competitive in Germany and Japan as well as against products of those countries in third markets.

Second, the wage gap between U.S. workers and workers in other countries has been closing. No longer is it cheaper to manufacture many products abroad and import them into the United States. In Japan wage rates have jumped from 53 percent of the U.S. wage in 1977 to 72 percent in August 1978. Wages in Germany are now equal

to or higher than in the United States for several industries. This is a significant factor that both U.S. and foreign firms take into account when they consider whether to locate a new plant in the United States or abroad.

Third, we are doing something right. A hundred or so U.S. firms have made major inroads in world markets. The share of exports in our GNP has increased significantly in recent years -- rising from 4.1 percent in 1971 to 6.4 percent in 1977. But this share needs to rise even further; every percentage point will add over \$20 billion of export sales, enough to completely eliminate our current account deficit even at the peak levels of 1977 and early 1978.

It is clear that the U.S. current account deficit is too large. Recent exchange rate adjustments have helped, but additional public and private measures are needed. Those measures should be targeted directly at our trade problems -- be they oil imports, excessive inflation in the United States, or inadequate export growth. The new export policy is a critical element in this overall strategy.



FOR RELEASE AT 4:00 P.M.

September 29, 1978

**TREASURY'S WEEKLY BILL OFFERING**

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately \$5,700 million, to be issued October 12, 1978. This offering will not provide new cash for the Treasury as the maturing bills are outstanding in the amount of \$5,708 million. The two series offered are as follows:

91-day bills (to maturity date) for approximately \$2,300 million, representing an additional amount of bills dated July 13, 1978, and to mature January 11, 1979 (CUSIP No. 912793 W3 6), originally issued in the amount of \$3,406 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately \$3,400 million to be dated October 12, 1978, and to mature April 12, 1979 (CUSIP No. 912793 X8 4).

Both series of bills will be issued for cash and in exchange for Treasury bills maturing October 12, 1978. Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold \$3,215 million of the maturing bills. These accounts may exchange bills they hold for the bills now being offered at the weighted average prices of accepted competitive 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, both series of bills will be issued entirely in book-entry form in a minimum amount of \$10,000 and in any higher \$5,000 multiple, 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 Daylight Saving time, Friday, October 6, 1978. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) 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 in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders 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 on all accepted tenders 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 bills issued in bearer form, 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. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action 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 weighted average price (in three decimals) of accepted competitive bids for the respective issues.

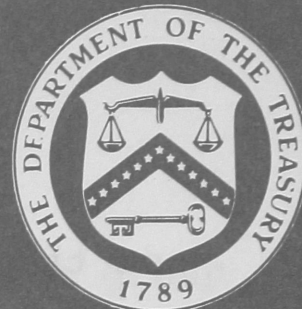
Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, and bills issued in bearer form must be made or completed at the Federal Reserve Bank or Branch or at the Bureau of the Public Debt on October 12, 1978, in cash or other immediately available funds or in Treasury bills maturing October 12, 1978. However, since the Baltimore Federal Reserve Branch will be closed on the settlement date, investors purchasing bills through that Branch are given the following payment options:

1. Payment with cash, Federal funds, other immediate credit items, or check in collected form, by Wednesday, October 11;
2. Payment with matured bills by Friday, October 13;
3. Payment with cash, Federal funds or other immediate credit items by Friday, October 13, plus one day's accrued interest.

Cash adjustments will be made for differences between the par value of the 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 these bills 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 these bills (other than life insurance companies) must include in his or her 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 Circulars, No. 418 (current revision), 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.



FOR IMMEDIATE RELEASE  
EXPECTED AT 10:00 A.M.  
MONDAY, OCTOBER 2, 1978

STATEMENT BY HELEN B. JUNZ  
BEFORE THE  
EUROPEAN-AMERICAN COMMODITIES CONFERENCE  
LONDON, ENGLAND

Intervention in World Commodity  
Markets: Appropriate or Not?

The pricing of raw materials has been a policy concern for many years. Abrupt changes in demand, cyclical shifts in business activity and exogenous factors affecting supply, such as weather conditions or natural disasters, can lead to large price swings. These, in turn, can have adverse effects on consumers and producers alike.

Traditionally, the problem of instability in commodity markets has been left to producers to resolve. However, during the past couple of decades, the mutuality of concerns of consuming and producing nations has come into sharper focus, with the increasing recognition that boom-bust commodity cycles are detrimental to both. They fuel inflationary tendencies in the consuming countries, and to the extent that these price pressures become embedded in wage structures, they are in turn transmitted to the producing countries via import prices. For developing countries heavily dependent

on the production and export of commodities, excessive price volatility can severely frustrate long-term development planning and create distortions in development patterns through large shifts in domestic savings, tax revenues and foreign exchange earnings, leading to alternating surges in inflation and periods of recession and unemployment. Thus, both sides have recognized the desirability of finding ways and means to bring about greater stability of commodity prices.

In recent years, however, the concern for greater price stability has given way to a much broader range of issues. On the side of the developing countries (LDCs), the main underlying goal has been to obtain a sufficient and stable flow of financial resources to meet domestic economic and political objectives. This, and a rising determination in the developing countries to right the injustices of a colonial past, have sharpened their desire to obtain transfers of resources as a matter of right rather than at the discretion of donors. Thus, the LDCs have sought ways to increase their access to additional resources on an automatic and unconditional basis.

These efforts intensified following the supply shortages of 1973 - 74 and the success of the cartel action of the Organization of Oil Producing Countries (OPEC). As a consequence, political demands recently have concentrated on changes in international economic arrangements that would give developing countries a greater voice in decisionmaking, provide greater access to international financial resources on an unconditional basis, and establish price strengthening commodity agreements (ICAs) to assist in increasing export earnings.

In pursuing these aims, the LDC, caucus known as the group of 77 (G-77), has established a surprising degree of political cohesion which has enabled the LDCs to formulate and maintain joint positions throughout a full schedule of international conferences. Consequently, considerable momentum was generated for positive consideration of a number of their demands. But, actual translation of these demands into action has been complicated because maintenance of political cohesion has also meant inflexibility in negotiations. This inflexibility derives from the fact that any negotiation must seek to accommodate the interests of each and every grouping among the LDCs.

#### The Producer Initiative

The momentum created by the joining together of the LDCs led to the adoption by the international community of the Integrated Program for Commodities (IP), initiated by the developing countries, at UNCTAD IV in 1976. But the IP also demonstrates the need to include their whole range of interests. The objectives of the IP included:

- reduction of excessive price fluctuations in raw materials of production and export interest to LDCs<sup>1/</sup>;

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<sup>1/</sup> The commodities include a core of ten -- cocoa, coffee, copper, cotton, hard fibers, jute, natural rubber, sugar, tea, and tin -- for which buffer stocking were claimed feasible. Eight others for which other types of international measures were called for, included: bananas, bauxite, iron ore, manganese, meat, phosphates, tropical timber and vegetable oils.

- expansion of processing of primary commodities and diversification of productive capacity in LDCs;
- improved access to developed country markets for processed forms of raw materials;
- improved and sustained real income for developing countries through increased and stabilized export earnings; and
- improved competitiveness of natural products vis-a-vis synthetics.

The developing countries felt that these objectives should be achieved by considerable and far reaching intervention in and regulation of commodity markets. The mechanisms proposed included:

- buffer stock arrangements for at least ten "core" commodities;
- development type measures for all eighteen commodities in the IP.

The LDCs envisaged that talks between producer and consumer countries would result in agreement on specific measures for each of the eighteen commodities. The range of possible measures would include 1) price stabilizing mechanisms such as international buffer stocks and national stocks, 2) price raising devices such as production controls

and price indexation, and 3) a variety of development measures including product diversification, market promotion, R & D, and processing.

The producers proposal for a natural rubber agreement, for example, contains all three types of measures. Producers have pressed for a 300,000 to 400,000 metric ton buffer stock to stabilize prices, an export and production control system, a price revision mechanism based on changes in production costs and the prices of synthetics, and a large, consumer financed fund for a wide range of non-buffer stock measures.

The principal integrating element, pulling together the diverse objectives and measures under the IP, has been a Common Fund (CF) that would finance the entire range of commodity measures. Financing for the CF would come from several sources: first, from producing and consuming countries participating in ICAs; second, from contributions from members of the CF at large, with the major share coming from the developed countries; and third, from loans raised on private capital markets. Funding was initially put at \$6 billion. The CF would lend ICAs the necessary resources to acquire physical stocks in the market, with repayment required when the stock is sold. Financing of non-buffer stock measures would include a significant grant element. In the management of the CF

the developing countries would have "decisive" control on the basis of the one-country one-vote principle.

#### U.S. Policy Response

The basic approach of the United States to the IP has been to look positively but discriminatingly at those mechanisms that can provide substantial benefits to both consumers and producers of primary commodities. In doing so, we have, as have many other industrialized countries, supported measures designed to achieve greater price stability. To promote the increase of productive capacity and other measures appropriate to development policy, we have supported action through those mechanisms designed to transfer resources for such purposes. We have rejected measures that would transfer resources through price raising mechanisms, because these would act to destabilize demand and supply over the longer term and disrupt markets to the detriment of both producers and consumers.

#### Commodity Agreements

U.S. participation in ICAs is conditional upon certain basic principles. ICAs:

- must be designed to stabilize prices around underlying market trends, not to raise prices above those trends;
- must balance the interests of producers and consumers, in terms of responsibilities and benefits; and
- must provide wide latitude for the operation of market forces.

We have concluded that these principles are best served by buffer stock arrangements. Under a pure buffer stock regime, the benefits of price stabilization to producers and consumers balance out over the longer term. Buffer stock arrangements help to maintain prices during periods of excess supply to the benefit of producers, and lower prices during periods of shortages to the benefit of consumers. By reducing commercial risk, increases in investment, production and consumption take place at lower costs, to the benefit of all market participants. Such commodity agreements complement rather than impede the operation of market forces.

Commodity agreements that rely on production and/or export controls impede the operation of market forces, create market inefficiencies and eventually lead to a misallocation of resources. Production controls force low cost and high cost producers to cut back output equally, thereby locking industry into inefficient patterns of production. In addition, agreements that rely on supply controls tend to freeze existing market patterns as they bar entry of new, and possibly more efficient, producers.

The free play of the pricing mechanism is essential for efficient buffer stock operations. Market prices trigger stock purchases and sales in the short run and allocate resources efficiently in the long run. For this reason,

buffer stock arrangements should provide for price ranges that are easily adjustable to market trends and are sufficiently wide to allow prices to play their allocative role.

The U.S. proposal for a natural rubber agreement provides a clear statement of how the basic objective of price stabilization can be met without disrupting market operations or restricting supply. Our analysis indicates that a buffer stock of around 700,000 metric tons, some twenty percent of annual consumption, would be adequate to stabilize prices within a ±20 percent range around their medium term trend. With an adequately sized buffer stock and appropriate arrangements for adjusting price ranges when necessary, no back-up supply mechanisms should be needed.

Although we generally oppose supply controls as a price stabilizing mechanism, there may be a case for export quota/national stocking schemes for commodities which are unsuitable for an internationally held buffer stock. This applies particularly to commodities for which storage costs in a central location are high, which may have a very high supply variability or where other technical factors make pure buffer stock arrangements uneconomic. However, under such circumstances, frequent reallocation of quotas should assure continuing responsiveness to changes in supply capabilities. Such reallocation allows for easy entry of new producers and for the shifting of market shares from inefficient to efficient producers

Furthermore, coupling quota arrangements with national stocking schemes assures that productive capacity is not artificially limited and helps ensure that supplies will be available to protect consumers in the event of price surges. Examples of export quota/national stocking arrangements are the recently negotiated coffee and sugar agreements.

For a number of other commodities such as bananas and tea, a viable stocking scheme is simply not feasible. Moreover, for these and a number of other commodities listed in the Integrated Program, price volatility is not the basic problem. Where commodities are faced with competition from substitutes and longer-run declining demand--like jute and hard fibers--development of new end-uses, promotion of consumption, productivity improvement and related measures provide the best solutions. By contrast, price stabilization schemes can do nothing to remedy such situations and price raising arrangements, such as proposed by some producers, would only worsen them.

#### The Common Fund

Commodity agreements of the type we seek must be adequately financed to enable them to build buffer stocks of sufficient magnitude to stabilize prices effectively. We believe that by consolidating the assets of individual ICAs in an appropriately structured CF, actual budgetary drains on participating member countries could be reduced significantly. Furthermore, implicit in our proposal for

a CF is a contingent commitment to share in the financing of buffer stock arrangements, thereby reducing the financial burden on producers.

According to our proposal, ICAs would deposit a pre-determined portion of their maximum financial requirement (MFR) in the CF and thereby be entitled to a credit line for the balance of their MFR. The credits would be backed by negotiable warehouse receipts (stock warrants) of each ICA as stock is acquired and by capital on call from ICA member countries. The presumption is that, barring exceptional circumstances, capital would not have to be called. Under normal circumstances, the CF would lend from unused deposits from ICAs in a selling phase to those in a buying phase. In addition, the CF, when the need arises, could borrow in the financial markets on the basis of the stock warrants and the callable capital pledged to it by the ICAs.

Differences between the G-77 version of a CF and ours--like the divergence of views on ICAs--reflect to a large extent differences in objectives. The G-77 look to commodity institutions to regulate markets largely so as to raise prices and effect transfers of resources from consumers to producers. Accordingly, endowing the CF with its own resources and putting financing in place before individual commodity agreements are negotiated would tend to diminish the chances

that ICAs could effectively balance the interests of consumers and producers and adhere to the principles I laid out earlier.

Principal-source and up-front financing in the Common Fund:

- would mobilize financial resources that need not bear any relation to the requirements of ICAs eventually negotiated;
- could allow the Common Fund to infringe upon the autonomy of ICAs by virtue of its central funding role;
- allow governments who are not members of ICAs and who have no direct interest in the commodity concerned to gain leverage over the activities of ICAs;
- allow financial resources of governments to be used for the financing of ICAs which the particular government has decided do not meet its requirements for membership; and
- provide producers with the incentive to set unrealistic price ranges and/or negotiate other price raising features; this would lead to a tendency for ICAs to maximize drawings from the CF at an early stage and reduce the financial viability of the CF.

All these contingencies create the danger that ICAs, at best, might be less effective than otherwise, and at worst, might actually operate in a restrictive way. Thus, the history of failure of commodity agreements could well be repeated.

While we see the possibility for a positive role for the CF in the area of non-buffer stock measures, we believe that the G-77 proposal for the financing of a broad range of such measures is likely to prove to be a liability to the CF when borrowing in capital markets on behalf of the buffer stock activities of ICAs. Furthermore, it is likely to be wasteful of resources as it does not appear to take into account the considerable support existing institutions already give to such activities.

For example, during fiscal year 1978, the multilateral development banks lent over \$1.1 billion for projects related to the 18 IP commodities. This represents a two-fold increase over 1977. For the five year period 1975 - 79, the development banks have budgeted more than \$4 billion for the production, development and processing of those same commodities. In addition, the banks have played a major and rapidly increasing role in their lending for productivity improvement and downstream facilities. In fact, between 1975 and 1978 the emphasis in lending by the development banks for projects

related to the IP commodities shifted markedly from m product expansion to R & D, productivity improvement and processing, with the first falling from 80 percent of the total of such loans in 1975 to about 26 percent in 1978. This shift is helping commodity producers to diversify their productive capabilities in sectors threatened by global overproduction, or longer-run declines in demand.

This does not mean that consumer/producer agreements and the CF could not play a constructive role in improving the marketing, production and trading environment for commodities. There remains considerable scope for work in the areas of R & D, the development of new end-uses and other activities which would not duplicate the efforts of existing international agencies.

Finally, in defining the activities of commodity organizations, there is not just the problem of assuring efficient use of financial resources by avoiding duplicative efforts, but also that of comparative advantage. Thus, the development banks and national entities are better placed to decide on overall development objectives and priorities than can sector-oriented agencies, such as commodity organizations.

### The Role of Markets

The effectiveness of realistic and adequately financed commodity agreements depends upon the existence of well functioning markets, and particularly upon broad-based spot and futures markets. In a certain sense, futures markets and international buffer stocks are complementary in that they offer protection to sellers and buyers from the effects of unpredictable price fluctuations. However, buffer stock arrangements are designed to protect market participants from relatively extreme price fluctuations. For instance, the U.S. proposal for an international rubber agreement provides for a ±20 percent adjustable price range. Most hedging operations, on the other hand, would seek protection from considerably smaller price fluctuations.

Furthermore, we believe that appropriate hedging by marketing organizations of producing countries in the futures markets could materially reduce their short-term price risks. Thus, the market can help to reduce short-term risk, while commodity agreements would help to reduce longer term risks. Together, the effect would be greater stability in the overall market. This in turn could increase supply and demand and thereby expand market activities. Nevertheless, as in negotiated agreements, there is need to guard against manipulative activities that would distort market operations to the benefit of few and to the detriment of others.

Indeed, it is the fear of such manipulative activities that has kept a number of potential participants from taking advantage of the risk-reducing opportunities provided by these markets. In the United States, the Commodities Future Trading Commission is charged with minimizing the risk of manipulation. But, the ability of the market to exercise its proper and constructive function in the last instance remains in the hands of the participants.

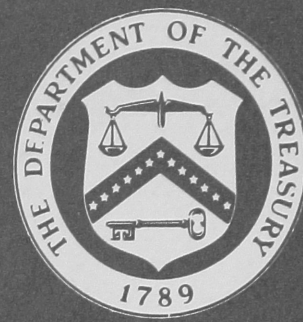
### Conclusion

The structure of commodity markets and the lessons that can be drawn from history suggest that restrictive commodity agreements and financing arrangements that curtail the play of market forces are unlikely to be successful for more than a few years. As such agreements begin to fail, they would create just the divisive issues between producing and consuming nations that participants are seeking to avoid. Therefore, the guiding principles of our commodity policy continue to provide for a wide latitude for the operation of market forces. This implies that intervention in the market by ICAs be confined to the smoothing of price peaks and troughs and that a CF, acting as a financial intermediary for ICAs neither regulate nor otherwise intervene in commodity markets.

The benefits to be derived from well-structured price stabilization agreements and the financial and budgetary savings associated with an appropriately structured CF could be significant.

Even if consumers and producers, developed and developing countries, can agree on mutually beneficial objectives in the area of commodity agreements, the effectiveness of such agreements depends to a considerable degree on domestic policies in consuming and producing countries. Producing countries would need to assure an investment climate that does not work at cross purposes with stabilization objectives. Thus, tax, financial and general investment policies must allow the transmission of demand stimuli to producing sectors so as to achieve appropriate and timely supply responses. And in consuming countries, trade policies must allow demand to become fully effective and to be transmitted to the most efficient producers.

Finally, it must be remembered that international commodity arrangements are neither a panacea for solving the economic problems of the developing world nor can they offer more than a partial solution to international commodity problems.



EMBARGOED FOR RELEASE UPON DELIVERY  
EXPECTED AT 3:00 p.m., EDT

REMARKS BY THE HONORABLE  
ANTHONY M. SOLOMON  
UNDER SECRETARY FOR MONETARY AFFAIRS  
DEPARTMENT OF THE TREASURY  
BEFORE  
THE INTERNATIONAL IRON AND STEEL INSTITUTE  
COLORADO SPRINGS, COLORADO  
OCTOBER 2, 1978

There has been an increasing tendency in recent years for governments to intervene in domestic markets to help ailing industries, particularly those experiencing serious difficulties due to import competition. Generally this intervention has been concentrated on large basic industries which are significant employers and sources of income.

The roster of assisted industries reads like a "who's who" of current sectoral problems: steel, data-processing, aircraft, autos, shipbuilding, textiles, shoes, machine tools, electronic components. The aids spread rapidly from country to country in a vain attempt to gain a competitive edge in both domestic and foreign markets, and at a considerable cost to national treasuries.

Government action to aid these industries is not surprising. Their importance to national economies generates very strong political and economic pressures for government protection and assistance. Such assistance is usually introduced in the name of laudable domestic economic goals: increased employment, greater industrial efficiency, and

longer term research and development efforts. However, in in many cases it has become a means of avoiding structural adjustment and represents one of the most troublesome areas in our trade relations, threatening to lead to serious trade conflicts.

The continued growing resort to government subsidies which distort trade are of particular concern to the U.S., and I am sure to other nations as well. During the present period of generalized slow growth and high unemployment, there has developed a tendency throughout the world to subsidize production at inefficient plants to maintain domestic employment. While we recognize there may be a strong case for the use of temporary selective measures to maintain existing employment in emergency conditions -- or to ameliorate the effects of closing down obsolete plants -- subsidies should not be made to support or promote industries that cannot in the long run compete effectively on their own in world markets. And they should not be used as a device to transfer the burden of adjustment to other countries. The effects of such policies on trade flows can be immediate and highly disruptive in certain already-sensitive sectors, and are a major source of current as well as potential trade conflict.

None of us in truth has been immune to the infectious spread of industrial subsidies, import restraints, and export aids. The high visibility and expense of such measures

in some nations have made them appear more flagrant, however, while others have masked government intervention behind restrictive pricing requirements and similar non-budget devices.

All of us can agree, however, that something must be done to curb the continued use of these policies. For our part we prefer of course to maintain international cooperation in this area to avoid future conflicts. The United States also places a high priority on the negotiation of meaningful codes on non-tariff measures in the Multilateral Trade Negotiations. We believe in particular that the negotiation of a subsidy countervail code is a sine qua non for adherence to an eventual package of agreements in the current Multilateral Trade Negotiations.

However if agreement on these codes is not possible and if foreign governments employ subsidies and related policies which distort trade we cannot and will not stand by. We have an obligation to enforce our laws and we are prepared to move actively to counter such measures.

#### Steel Measures

The steel industry is probably the most visible example of an industry with extensive government intervention -- and one which demonstrates the extreme difficulty of achieving a cooperative approach in a sensitive industrial sector. Steel is a basic industry for all of the industrialized nations,

and an increasingly important industry in a number of advanced developing nations as well. Governments naturally try to maintain production and employment in this crucial sector for both political and economic reasons rather than permit the free functioning of the market.

The most recent cyclical decline in steel demand has been protracted over time and global in scope and has led to substantial worldwide excess capacity and increasingly destructive unfair competition complicating efforts to maintain a liberal trading environment in this sector. Virtually all steel industries are experiencing serious difficulties, and the steel industries of some producing countries are encountering particular difficulty in attempting to deal with their problems of unemployment and excess capacity.

Governments have adopted various measures, ranging from simple monitoring systems, such as that imposed by Sweden, to broad-based industry plans such as the EC's Davignon Plan to cope with these adverse conditions. In the U.S. we adopted the comprehensive program developed by the President's Special Task Force, which I chaired.

To the extent that these plans promote a positive adjustment they are compatible with the principles I have outlined on government intervention. Rationalization and modernization are as they should be the major guiding principles,

rather than simply protection or attempts to shift the burden of adjustment to others. However, to the extent that these plans include the continued reliance by the industry on measures which go beyond transitional assistance, they violate these principles -- and they increase the potential for future trade problems in this sector.

We understand that most plans do emphasize adjustment. Thus it appears that governments do recognize that this is not solely a national problem confined to their respective steel industry. The problem is global. All major steel producing industries, including the U.S., are experiencing similar problems. While we are aware that these adjustments are difficult and will necessarily take some time they must be made -- and made within a reasonable time. If they are not -- if we attempt to avoid this adjustment through the various measures I cited earlier we will simply compound our current difficulties and create the conditions for an even more serious confrontation in our trade in the future.

#### USG Approach

Basically, the steel industry is confronted with two types of problems -- short-term problems associated with cyclical swings in demand -- and longer-term problems occasioned by the changing structure and competitiveness of the industry, including the emergence of a number of advanced developing countries (ADC's) as competitive steel producers.

The comprehensive program which was adopted by the United States Government in December 1977 is designed to provide the U.S. steel industry with an environment which will allow it to adjust to both kinds of problems.

The Trigger Price Mechanism (TPM) focuses on unfairly priced or dumped imports and provides a means of assuring that prompt investigation will be undertaken if dumping appears to be occurring. Other measures emphasize modernization and cost savings that are achievable through non-discriminatory actions which do not distort trade. The proposed reduction in the depreciable guideline life and the loan guarantee program are aimed at improving the industry's cash flow and providing capital to smaller firms for modernization of competitive plants. Our review of environmental policies and procedures seeks to achieve our basic environmental goals at less cost. The results of this review will apply to all industries alike, not only to the steel industry.

We believe that these measures are positive answers to the present problems of the steel industry. They are also consistent with overall U.S. trade and domestic policies, and with the principles I have outlined on government intervention in general.

-- The U.S. comprehensive steel program does not restrict the free flow of fair trade. We specifically avoided a system of quantitative restrictions or rigid

minimum prices because we recognized they would lead to a distortion of trade, creating serious problems for our trading partners as well as domestic inflationary problems.

-- The loan guarantee program does not offer a carte blanche for the industry. Its use is restricted exclusively to smaller firms which have no access to private capital, but which have economic modernization plans which would increase their competitiveness and alleviate potential serious community and unemployment problems. Firms qualifying for loan guarantees will not receive preferential interest rates; they will pay commercial interest rates. Therefore marginal facilities would not stand to benefit from the program.

-- We are not relaxing our environmental regulations or providing differential treatment for the steel industry as compared to other industries.

-- And we are not offering government guidance or surveillance of the steel industry, because we are convinced that governments should stay out of private business and intervene along carefully restrained lines only where critical to the national interest.

-- The program is temporary in nature. It is not conceived as a permanent element of our trade landscape. And while we are not considering dismantling the Trigger Price Mechanism or other elements of the program in the

near future, we will continue to review the conditions of the industry to determine whether the system is still needed.

The TPM has functioned satisfactorily thus far to prevent the recurrence of the destructive, unfair price cutting competition which we experienced last year. The relatively high levels of imports in July and August are disturbing and cause us concern. And although many experts abroad and at home believe these levels will not persist, we will monitor future conditions carefully and respond appropriately.

#### Adjustment

We do expect, however, that given this opportunity the U.S. steel industry will take advantage of our program to become more competitive and to make the necessary positive adjustments. We must remember we are operating in an interdependent world. Long term shifts in comparative advantage are part of the dynamics of the world trading system, and in the long run it is in our interest to adjust to those changes. The industrialized countries have a responsibility to lead the way in making these changes. We cannot bar the emerging advanced developing countries' steel producers from competing fairly in our markets, no matter how sensitive the sector.

However, competition must be fair and the adjustment must be orderly. The newly emerging steel producers should be subject to the same rules as the industrialized nations -- in particular, they should not be allowed to dump their steel on our markets. Where we must adjust, the adjustment should be an orderly adjustment at a reasonable rate. It should not be similar to the sudden and massive dislocations we experienced in 1977. Rather the steel industry should be in a position to make an orderly and gradual transition.

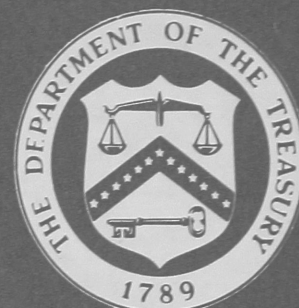
#### Conclusion

The United States Government hopes that we can achieve continued cooperation in this area. Our recent experience has highlighted the magnitude of the problem and the strong interdependencies which link U.S. and foreign steel industries. It also has revealed in part the extent of potential future problems.

We have made significant progress in reaching a cooperative international approach to these problems in our bilateral and multilateral discussions. We recently agreed at the OECD to establish a standing steel committee to act as a monitoring and consultative body which will serve to alleviate future problems in steel trade. This committee will track trends in steel trade, production, capacity and other industry characteristics in the OECD countries and other participating countries. This should permit us to detect potential problem areas and will provide us with a

multilateral forum in which these emerging problems can be discussed before they become crises. Let's use this multilateral body to the fullest extent and avoid a retreat to the bilateral protectionist measures which aggravated steel problems in the past.

Within the broader context, we are as I mentioned earlier actively pursuing the negotiation of a meaningful international code on subsidies and other government measures which adversely affect trade as a matter of high priority in the current Multilateral Trade Negotiations. We hope that our success in these efforts will provide a more satisfactory environment for trade and a sounder basis for efficient, competitive production with a minimum of government intervention in all industries, including steel.



FOR IMMEDIATE RELEASE

October 2, 1978

**RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS**

Tenders for \$2,300 million of 13-week Treasury bills and for \$3,402 million of 26-week Treasury bills, both series to be issued on October 5, 1978, were accepted at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing January 4, 1979			:	26-week bills maturing April 5, 1979		
	Price	Discount Rate	Investment Rate 1/	:	Price	Discount Rate	Investment Rate 1/
High	97.942 <u>a/</u>	8.142%	8.43%	:	95.775 <u>b/</u>	8.357%	8.85%
Low	97.935	8.169%	8.46%	:	95.763	8.381%	8.87%
Average	97.937	8.161%	8.45%	:	95.765	8.377%	8.87%

a/ Excepting 1 tender of \$10,000b/ Excepting 2 tenders totaling \$515,000

Tenders at the low price for the 13-week bills were allotted 44%.

Tenders at the low price for the 26-week bills were allotted 76%.

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

Location	Received	Accepted	:	Received	Accepted
Boston	\$ 26,540,000	\$ 25,165,000	:	\$ 16,075,000	\$ 16,075,000
New York	3,928,820,000	1,888,250,000	:	4,783,175,000	2,954,455,000
Philadelphia	40,245,000	23,235,000	:	52,055,000	30,735,000
Cleveland	39,160,000	32,445,000	:	100,490,000	58,890,000
Richmond	126,370,000	112,885,000	:	33,795,000	26,790,000
Atlanta	38,895,000	34,320,000	:	50,320,000	23,260,000
Chicago	181,395,000	47,740,000	:	411,940,000	111,440,000
St. Louis	30,140,000	15,040,000	:	26,295,000	12,295,000
Minneapolis	69,935,000	5,935,000	:	26,070,000	23,110,000
Kansas City	29,610,000	29,070,000	:	23,960,000	22,460,000
Dallas	16,595,000	16,595,000	:	10,250,000	10,130,000
San Francisco	189,125,000	60,525,000	:	215,600,000	100,700,000
Treasury	<u>9,030,000</u>	<u>9,030,000</u>	:	<u>11,410,000</u>	<u>11,410,000</u>
TOTALS	\$4,725,860,000	\$2,300,235,000 <u>c/</u>	:	\$5,761,435,000	\$3,401,750,000 <u>d/</u>

c/ Includes \$405,765,000 noncompetitive tenders from the public.d/ Includes \$238,805,000 noncompetitive tenders from the public.1/ Equivalent coupon-issue yield.



FOR IMMEDIATE RELEASE  
October 3, 1978

Contact: Alvin M. Hattal  
202/566-8381

**TREASURY ENDS ANTIDUMPING INVESTIGATION  
OF AUTOMOTIVE AND MOTORCYCLE REPAIR  
MANUALS FROM UNITED KINGDOM**

The Treasury Department today said it has terminated the antidumping investigation of imported automotive and motorcycle repair manuals from the United Kingdom.

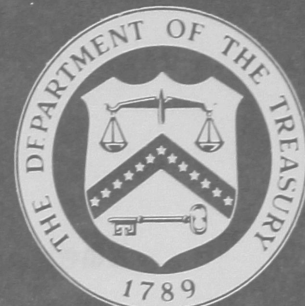
This inquiry followed a summary investigation by the U. S. Customs Service after receipt of a petition filed by counsel on behalf of Clymer Publications alleging that the manuals in question were being sold in the United States at less than fair value. (Sales at "less than fair value" generally occur when imported merchandise is sold in the United States for less than in the home market.)

After the start of this investigation, a question was raised as to whether dumping duties on this merchandise are precluded by the "Florence Agreement," the Agreement on the Importation of Education, Scientific, and Cultural Material of 1959. The Agreement provides that certain specified articles, including books such as manuals to which the proceedings related, shall be free of "any customs duties or other changes." The quoted phrase has been held to include dumping duties; therefore, this investigation has been terminated.

Notice of this action will appear in the Federal Register of October 4, 1978.

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B-1197



FOR IMMEDIATE RELEASE  
EXPECTED AT 10:00 A.M. EDT  
THURSDAY, OCTOBER 5, 1978

STATEMENT BY THE HONORABLE C. FRED BERGSTEN  
ASSISTANT SECRETARY OF THE TREASURY  
FOR INTERNATIONAL AFFAIRS  
BEFORE THE WESTERN HEMISPHERE SUBCOMMITTEE  
SENATE FOREIGN RELATIONS COMMITTEE

ECONOMIC RELATIONS BETWEEN THE UNITED STATES AND LATIN AMERICA

Latin America has become a central actor in the world economy. Its dramatic development during the past two decades, while leaving many problems unsolved, has thrust it into the forefront of the entire developing world. This new status for the southern half of the hemisphere underlies today's economic relations between the United States and Latin America.

As a result of this development, several Latin American countries -- particularly Brazil, Mexico and Venezuela -- now play a major and creative role in international trade and finance. Accordingly, economic relations are crucial to overall U.S. policy toward the region -- and the region figures crucially in the overall international economic policy of the United States.

Hence the United States does not have a "Latin American economic policy." Rather, our global economic policies seek to take fully into account the needs and concerns of Latin America -- and to consult fully with them on the whole range of international economic issues. After reviewing the impressive breadth and depth of Latin America development, and what it means for the United States, I will describe these current policies and add some thoughts on possible further directions for the relationship as further changes occur in the region's status and the global economic environment.

#### Latin American Development

Latin America has outpaced all other developing regions in its rate of economic progress:

- Between 1965 and 1977, the gross domestic product of the region more than doubled in real terms to nearly \$400 billion. This represents an annual growth rate of 6.1 percent -- compared with 5.1 percent for all developing countries, and about 3.9 percent for the developed countries.
- During 1973-1977, the region grew at an average annual rate of nearly 5 percent compared with only 2 percent for the OECD countries. It even maintained impressive growth through the world recession, cushioning the impact of the recession on the industrialized countries -- particularly the United States.

-- Real per capita GNP in the region has increased by more than half since 1965. It now stands at \$1100, as compared with a per capita GNP of \$450 for the rest of the developing countries.

This rapid economic growth, and relatively high level of development, make Latin America truly a part of a new "international middle class" together with a few other countries in the Far East and Middle East. Latin America is by no means fully developed, indeed, huge pockets of poverty remain, even within the most advanced countries of the hemisphere. And we clearly recognize and respect the diversity and individuality of the nations in the region. But the region as a whole enjoys living standards far higher than those of developing Africa and Asia, and has become a major factor in key trading and financial markets throughout the world.

The region's progress has blurred, if not obliterated, the traditional distinction between developed and less developed countries. Indeed, we have coined a new term -- ADCs, or Advanced Developing Countries -- to characterize these (and a few other) emerging economic powers. As a consequence of its progress, we see Latin America as the "cutting edge" for new modes of international cooperation -- providing meaningful progress in "North-South relations"

rather than reckless rhetoric, with real benefits for all participants whether they come from above or below the Rio Grande.

The International Economic Policy of the United States

The international economic policy of the United States has two cardinal elements: support for our national economic objectives, such as full employment and price stability, and maintenance of an effective international economic system. Neither can prosper in isolation from the other -- and neither can prosper without full engagement by the ADCs.

Thus we support full participation by all countries, including the ADCs, in decisions that affect both them and the functioning of the world economic system. Such participation of course requires an acceptance of responsibility by each country commensurate with its state of development.

These two elements are inseparable. As countries accept greater responsibilities in the international economic system, their voice in the system -- and their ability to influence its development -- should correspondingly increase. The ADCs themselves will of course benefit greatly from this increased role, by being able to assure that their interests are properly incorporated in developing the international economic system and in helping assure a strengthening of that system itself, which is so crucial to their national needs.

I would like to describe briefly how our policies carry out these principles in the major arenas of our economic interaction with the region -- trade, development finance and international monetary issues. I will not address such other important issues as commodity, energy and investment policy today in order to focus on those which best illustrate our evolving pattern of relations within the Hemisphere.

#### Trade

Trade is probably the most important area of U.S. economic interaction with Latin America, because the rapidly industrializing countries of the region need access to the markets of the developed countries more than anything else. Our focus here is twofold: rejection of the many proposals to restrict current U.S. imports from Latin America, and the Multilateral Trade Negotiations (MTN) where we are working actively to significantly reduce tariff and non-tariff barriers to trade on the part of all nations and to improve the rules governing international trade flows. Our own offers in the tariff area, in particular, reflect our commitment to improve access for Latin American products in the U.S. market.

We also expect these nations to do their part in helping to improve the global trading system, consistent with their own trade and development situation. This means an increasing acceptance by ADCs of at least partial

reciprocity in the Multilateral Trade Negotiations: for example, an improved commitment to limit government procurement practices which discriminate against foreign suppliers or adherence to the International Arrangement on Export Credits. In general, it means a phasing out of special treatment as development proceeds so that more needy countries can benefit more fully from such preferences.

The acceptance of greater responsibility in trade relations is especially important in the use of government subsidies. One of our most important objectives in the MTN is to reach an agreement on subsidies and countervailing duties:

- We need to put a lid on the growing use of subsidies to spur export-led growth at the expense of other trading nations.
- We need to broaden and deepen the commitment previously accepted by most industrial nations not to use export subsidies.
- We need new international discipline to guard against the disguised protection of domestic markets through internal or production subsidies.
- We need to strengthen the present GATT provisions on dispute settlement to ensure that these rules are enforced effectively.

Subsidies can of course play an important role in national economic policy, and flexibility in the rules is needed for countries on different rungs of the development ladder. Fully developed countries should subscribe to all provisions of the agreement immediately, whereas developing countries should be accorded special and differential treatment. However, the code should provide for increased acceptance of its obligations by the ADCs as their industries become internationally competitive, as well as acceptance from the outset of the principle that their subsidies should not hurt other countries. We fully recognize the evolutionary nature of this process, and hence accept that these obligations can be phased in over time rather than instituted all at once.

We have been working extremely closely with the developing nations -- especially Brazil -- on this problem. Indeed, Brazil deserves much of the credit for working out provisions through which the code can apply to developing countries in ways which both defend their legitimate national interests and strengthen the global trading system. Its leadership and creativity have played a central role in the MTN already, and will doubtlessly continue to do so. Another example of mutual benefit is an agreement reached with Uruguay, which provides for a U.S. waiver of countervailing duties on footwear and leather products and Uruguayan agreement to completely phase out its substantial export subsidies -- on leather products by the beginning of 1979, and on all other products by 1983.

Our authority to waive the application of countervailing duties is now scheduled to expire on January 3, 1979. Loss of the waiver authority, and the imposition of duties against exports of several of our major negotiating partners, could very well disrupt the entire MTN. It would jeopardize the remarkable progress already achieved with several Latin American countries toward a definitive resolution of the problem of their export subsidies, along with the more highly publicized progress we have made with the European Community. Extension of the waiver authority, contingent upon the conclusion of a satisfactory package of MTN agreements by January 2, 1979 -- including a subsidy/countervailing duty code -- is thus critical, not only in terms of overall U.S. economic interests but also our relations with Latin America and continued effective hemispheric collaboration in trade matters.

Of course, a large volume of our trade with Latin America already enters the United States duty-free under the existing tariff schedule and generalized system of preferences (GSP). The total value of GSP duty-free imports from Latin America in the first six months of 1978 was \$716 million, of a total of \$2.4 billion for developing nations as a whole. GSP duty-free imports from all LDCs rose an impressive 31 percent in January-June 1978 over the same period in 1977. In Latin America, particularly strong gains were made by Argentina (up 91 percent) and Brazil (up 56 percent).

Here, too, our policy applies the principle of graduation. When a particular product from a country eligible for GSP becomes competitive in the U.S. market, that product reverts to normal tariff treatment on the grounds that special help is no longer needed -- and that its continuance would unfairly hamper less competitive countries from getting an opportunity to enter the market. One hundred and twenty-two products qualified for such graduation in 1978, 79 from Brazil and Mexico alone.

#### Development Finance

Our global policy in the area of development finance is to assure that poor countries are provided with adequate resources, on appropriate terms, that will assist them in their efforts to reduce extreme poverty and achieve self-sustaining growth. The application of this global policy to Latin America means that the region should, because of its development progress, be moving gradually but deliberately (1) from concessional assistance as provided by AID and the soft-loan windows of the multilateral development banks (MDBs) to (2) the non-concessional windows of the latter institutions and private capital markets and (3) into positions where they can assist their poor neighbors through various bilateral and multilateral assistance channels.

Much of this shift has taken place already in Latin America. Only six small countries in the region are currently eligible for loans from IDA, the World Bank's

soft-loan affiliate. Over the past few years, the United States has made decisions to terminate AID programs in Argentina, Brazil, Colombia, Chile, Ecuador, Uruguay and Venezuela; the level of AID grant and loan assistance to the region fell from an average of more than \$600 million per year during the mid-1960's to less than \$250 million during the last fiscal year, as the emphasis of our bilateral aid shifts toward the much poorer regions of Africa and South Asia. Venezuela and Trinidad-Tobago no longer borrow at all from the IBRD. The more advanced countries have gained extensive access to private capital markets. A few countries in the region have begun to mount their own foreign assistance efforts to help the poorer LDCs.

Our approach to the Inter-American Development Bank perhaps best encapsulates these principles. Our role in the Bank, and that of the Latin American countries, has been gradually evolving in response to the development progress of the region. We have encouraged the advanced countries in the region to provide concessional resources to their less fortunate neighbors, first by refraining from borrowing from the IDB's soft-loan window (the Fund for Special Operations) and then by increasing the amount of convertible resources which they contribute to the FSO. In the last replenishment, Argentina, Brazil and Mexico renounced use of FSO convertible resources and contributed one-quarter of their share of the FSO replenishment in convertible currency.

We are now negotiating the fifth replenishment of the IDB, to cover Bank operations for 1979-82. We are confident that the results will further our objectives in several ways, and provide one more indication of the maturing of the region and our relationship to it:

- Agreement to relinquish access to the FSO by several additional countries who no longer need concessional aid at all;
- A smaller FSO in total, as befits the development of the region in general;
- An increased share of the contribution of the major regional countries to the FSO in convertible currency, indicating their growing financial and economic strength;
- Agreement to concentrate the bulk of concessional financing in the poorest countries, and to channel an increased share of all IDB resources into projects aimed at reaching the poor; and
- A leveling off of use of IDB capital resources by the hemisphere's ADCs, making available a greater share for needier countries without as much access to the private capital markets. The extent of lending to ADCs will be determined in large measure by our contribution to the Bank's capital, which will turn heavily on the willingness of these ADCs to provide additional resources themselves to assist the poorer countries of the region.

## Monetary Issues

The international monetary policy of the United States has been directed at ensuring the continued effective functioning of an open system of world trade and payments from which all countries -- notably including those in Latin America -- benefit. A number of specific measures are being taken toward this end in the International Monetary Fund (IMF), which should contribute both directly and indirectly to the achievement of the economic goals of Latin America.

Within the past two weeks, a consensus has been reached on major new steps to strengthen the IMF. One is a 50 percent increase in IMF quotas, on which a final decision will be taken later this year. Such an increase would boost the permanent resources of the IMF by approximately \$25 billion with a roughly equivalent percentage increase in the access of all IMF members, including those in Latin America, to IMF financing.

The quota increase will ensure that the IMF is capable of continuing to meet the need in the international economy for "conditional" balance of payments financing -- i.e., financing provided subject to the requirement that the borrowing country implement appropriate policy measures designed to overcome its payments problems. The provision of such conditional financing by the IMF has been important over the years in helping many Latin American countries to correct their temporary payments problems. A large number of Latin American countries

have borrowed from the IMF in recent years and experienced subsequent improvements in their economic situations, and the IMF is presently working closely with a number of other Latin American nations to assist them in overcoming their payments problems.

A second consensus, also to be finalized later this year, is that the IMF should make allocations of Special Drawing Rights (SDRs) of SDR 4 billion (approximately \$5 billion) per year over the next three years. Such allocations -- which would involve distribution of newly created SDRs to members according to their quotas -- have long been sought by the Latin American members of the IMF. They would help meet the long-term global need to supplement existing reserve assets in a manner which would contribute to the stability of the monetary system.

Third, the imminently prospective establishment of the Supplementary Financing Facility -- the so-called "Witteveen Facility" -- will significantly strengthen the IMF's ability to assist members experiencing particularly serious balance of payments problems. This \$10.8 billion Facility will temporarily supplement the resources of the IMF during a period of severe strain on the monetary system. It will be available to all members which meet the criteria for drawings, including developing countries -- as opposed to the OECD Support Fund proposed by the previous Administration, which would have been available only to industrialized borrowers. I am most pleased that authorizing legislation for U.S. participation

in the Facility has been approved by the Congress, and hope that the needed appropriation will be approved shortly.

The consensus which has been reached to expand IMF resources has been achieved with the full participation of the developing countries, including the Latin American nations. Consistent with our policy of supporting participation with responsibility, the Latin Americans play an important role in IMF decision-making. Three of the twenty members of both the Interim Committee and the IMF Executive Board are from Latin America. The quota shares and voting shares of a number of Latin American members, including Venezuela, Brazil, and Mexico, were increased earlier this year. Venezuela and Guatemala have made commitments to provide SDR 500 million (approximately \$640 million) and SDR 30 million (approximately \$38 million), respectively, to the Supplementary Financing Facility. Here, too, we work increasingly with Latin America as partners in global economic management.

#### Future Directions

As the development process in Latin America continues to move forward, as we believe it will, we can think of further evolution in U.S.-Latin American relations.

We believe the region should be moving toward an even more open system in its trade and financial relations with the rest of the world. There are hopeful trends in this direction, but there are also dangers that some countries may resist such an opening. Policy interdependence becomes

crucial at this point: the United States must keep its markets open to Latin American goods and borrowing if we are to expect them to open their economies -- and vice versa.

To the extent that both North and South America continue to seek to liberalize their economic relations with the rest of the world, additional forms of cooperation will become both necessary and desirable:

- In the critically important trade field, full participation and membership in the General Agreement on Tariffs and Trade (GATT) seem the most important goals. We believe all Latin American countries should join the GATT, and participate as fully as possible in the MTN.
- The trade liberalization this will imply should further increase the interdependence between Latin America and the rest of the world economy. This in turn will increase the need for consultation and information exchange about near-term trends in the world economy. We will have to give some thought to how best to carry out this process.
- We believe possibilities in the investment field are particularly interesting. As the old ideologies that have resulted in widely differing views of foreign investment erode, we see considerably greater opportunities for cooperation. The advanced countries of the region fully understand the benefits to both home and host country in assuring that multinational

corporations play a constructive role in the world economy, and are quite able to negotiate effectively with these firms in pursuit of their own national objectives. This new situation may enable us to move toward agreement on "rules of the game" for international investment.

- In the aid area, we look toward increasing collaboration with the ADCs in the management of the multilateral lending institutions and other resource transfer mechanisms.

The Congress of course plays a crucial role in every one of these issues: trade, development finance, monetary issues, investment, commodities and all the rest. We thus greatly welcome these hearings, and hope that we can continue to work closely with the Congress in working out and implementing these several aspects of U.S. economic policy toward Latin America.

### Conclusion

The role of the Latin American countries, particularly the ADCs, cuts across the entire spectrum of U.S. international economic relationships:

- As intermediate and rapidly growing economic powers, we believe that they must assume greater responsibilities.
- As they reap greater benefits from world trade, their trade practices should increasingly conform to the rules applying to major world economic players.

- They should depend less upon bilateral and multilateral concessional assistance, so that increased resources can be made available to their less fortunate neighbors.
- In sum, they should work more closely with the industrialized countries to provide world economic leadership.

This increased responsibility will bring great benefits to the region. Greater involvement in management of the international economic system by the countries of the region will assure them of a larger voice in its future development, making them less dependent on decisions taken by others and more capable of determining the future of their economic relations with the rest of the world.

In essence, full Latin American participation serves to prevent other countries from making decisions that do not fully take account of Latin American interests. And because of the joint gains to Latin America and to us of a free, liberal international economic system, both parties stand to benefit from the process of shared participation and responsibility.



THE SECRETARY OF THE TREASURY  
WASHINGTON 20220

October 3, 1978

Dear Senator:

The Finance Committee has reported H.R. 13511, the Revenue Act of 1978, to the full Senate for debate. In some respects, the bill marks an improvement over the House version. However, the Administration has major objections to the Committee bill.

First, the tax reductions in the bill are excessive and inflationary. The Finance Committee bill exceeds the Administration's proposed net tax reductions by \$5.4 billion in calendar 1979, by \$5.3 billion in FY 1980, and by \$6.7 billion in FY 1981. These excessive outyear costs would prejudice our efforts to reduce the budget deficit and bring inflation under control. The inflation rate, which has begun to decline from the double digit pace of the first half of this year, must remain our number one concern and must be steadily reduced through the remainder of this decade. The budget deficit in FY 1979 will be about \$40 billion. We must reduce that deficit as quickly as possible, and this requires discipline not only on spending but on the size of this tax cut, and not solely for FY 1979 but also for FY 1980, 1981 and beyond. The Finance Committee bill does not reflect an adequate anti-inflationary discipline in the out-years. It would seriously compromise the outyear budget flexibility and discretion of both the Congress and the Administration.

Second, the bill's tax relief is unbalanced. While the distribution of the individuals' tax cuts is better than in the House version, it is still not satisfactory. The tax cuts for middle income families barely offset the 1979 Social Security tax increase and one year's inflation, while the relief afforded very high income taxpayers offsets these factors many times over. The individual relief should be redistributed in favor of middle income taxpayers.

Third, the bill is deficient in that its alternate minimum tax permits very high income taxpayers to shelter more of their income from tax than does present law. I'm sure you agree that every taxpayer should contribute a reasonable amount to the costs of government.

The Senate Finance Committee bill does not accomplish this objective. Accordingly, the alternative minimum tax in the bill needs strengthening.

Fourth, the bill ignores most of the proposals for structural reform advanced by the Administration and instead would clutter the tax law with a collection of new and inequitable preferences, loopholes, and special interest tax breaks. For example: tax forgiveness for those inheriting appreciated property; reopening a loophole for bond issues engineered by one securities firm; revival of expired investment credits to benefit a single company; a special exception to reporting requirements for charge account tips; preferential tax postponement for executives of trade associations; and special accounting rules for a few large corporate farms.

A major source of the first three problems -- excessive outyear costs, unbalanced distribution of relief, and excessive tax sheltering -- lies in the Committee's additions to the House bill in the area of capital income taxation. The House bill cut capital gains taxes by about \$1.7 billion on an annual basis, reducing the maximum tax rate on capital gains to 35 percent. The Senate Finance Committee supplemented this very generous relief with another \$1.4 billion in revenue losses, further reducing the maximum tax rate on capital gains to only 21 percent (versus 70 percent on ordinary income). Facing stringent budget constraints, the bill's relief for capital gains should be more reasonable in amount and should, as noted, be accompanied by a genuinely effective alternative minimum tax.

The budget constraints also make inadvisable the Committee's liberalization of depreciation rules, another addition to the House bill. The revenue cost of this provision, \$1.9 billion, hits hardest in the outyears. These costs cannot be responsibly undertaken until competing budget needs for those outyears are assessed by future Congresses.

Taken together, these added features have made the bill too large from the point of fiscal prudence and have skewed its relief inequitably toward the very highest income brackets.

I urge you to help improve the bill on the Senate floor. While the FY 1979 fiscal impact of the bill is about right, the outyear revenue losses are clearly excessive. The American economy needs a tax cut which allows progressive reduction in

the budget deficit, and the American people deserve a cut that is more balanced and equitable.

It is especially important that the Senate refrain from further enlarging the revenue losses.

In this regard, I wish to re-emphasize our opposition to indexing the tax system to inflation. This dangerous and unworkable experiment would mark a surrender by the Congress in the fight against inflation.

I am enclosing a detailed description of H.R. 13511, together with revenue estimates and a summary of the Treasury's position on each provision.

I am also enclosing two tables. The first compares, for fiscal and calendar years 1979, 1980, and 1981, the size of the net tax reductions under the Administration's proposals (including urban initiatives), H.R. 13511 as passed by the House, and H.R. 13511 as reported by the Finance Committee. This table illustrates the excessive current and outyear costs associated with the Finance Committee bill.

The second table shows the distribution of the tax changes attributable to the capital gains provisions of the Finance Committee bill. Of the \$3.1 billion in tax relief provided by these provisions, the table demonstrates that about 30 percent of the benefits go to those with expanded incomes of \$200,000 and more. Over two-thirds of the benefits go to those earning more than \$50,000 annually.

I look forward to working with you to make H.R. 13511 comport with budgetary constraints and basic principles of tax equity.

Sincerely,

A handwritten signature in dark ink, reading "W Michael Blumenthal". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

W. Michael Blumenthal

Table 1

Revenue Effects of the Administration's Tax Proposals and H.R. 13511  
as Passed by the House and by the Senate Finance Committee

Calendar Year Liabilities and Fiscal Year Receipts, 1979-1981

(\$ billions)							
	Calendar Years			Fiscal Years			
	1979	1980	1981	1979	1980	1981	
Administration's proposals <u>1/</u> ...	-33.5	-39.4	-48.1	-22.5	-36.7	-43.3	
House bill <u>2/</u> .....	-31.6	-35.9	-45.5	-18.3	-33.5	-40.2	
Senate Finance Committee bill <u>2/</u> .	-38.9	-44.5	-55.8	-20.6	-42.1	-50.1	

Office of the Secretary of the Treasury  
Office of Tax Analysis

October 2, 1978

1/ Includes the urban initiatives proposals in the Midsession Review of the budget and the extension of temporary tax reductions as estimated by the Joint Committee on Taxation.

2/ Includes offsetting revenues from induced capital gains and the extension of temporary tax reductions as estimated by the Joint Committee on Taxation.

Table 2

Distribution of Tax Changes from Capital Gains Provisions  
of the Senate Finance Bill

(1978 Levels of Income)

Expanded income class	Capital Gains Provisions As Reported	
	Tax change	Percentage distribution
(\$000)	(..... \$ millions .....)	(..... percent .....)
Less than 5	\$ -6	0.2%
5 - 10	-25	0.8
10 - 15	-64	2.1
15 - 20	-119	3.9
20 - 30	-292	9.6
30 - 50	-509	16.7
50 - 100	-716	23.5
100 - 200	-425	13.9
200 and over	<u>-894</u>	<u>29.3</u>
Total	\$-3,051	100.0%

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Office of Tax Analysis

October 2, 1978

Note: Details may not add to totals due to rounding.



For Release Upon Delivery  
Expected at 10:30 a.m. EST

STATEMENT OF  
DANIEL I. HALPERIN  
DEPUTY ASSISTANT SECRETARY FOR TAX POLICY  
DEPARTMENT OF THE TREASURY  
BEFORE THE  
SUBCOMMITTEE ON OVERSIGHT  
COMMITTEE ON WAYS AND MEANS  
October 5, 1978

Mr. Chairman and Members of the Subcommittee:

We have attached hereto a copy of a bill report which we are submitting today to the Ways and Means Committee concerning H.R. 12561. As you know, the Committee on Finance has attached a provision to the Revenue Act of 1978 which is derived from this proposal.

The Treasury Department believes this approach has substantial merit as a solution to the so-called LERA problem which has been a concern of this Subcommittee. We also note that the Finance Committee amended the provision in two respects in response to our comments.

There may, however, be other difficulties. For example, the Labor Department has expressed problems with channelling employee IRA contributions through the employer. Thus, we may want to consider other means of assuring non-discrimination in IRA contributions. Further, we believe that revenue constraints may dictate deferring enactment of this provision until a later time.



## DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

Dear Mr. Chairman:

This is in response to your letter of May 17, 1978, requesting a report on H.R. 12561, entitled "A BILL To amend the Internal Revenue Code of 1954 to allow a retirement savings deduction for persons covered by certain pension plans". You have recently asked that we expedite this report.

### Problems Created Under Present Law

An individual who is entitled to make deductible contributions to an individual retirement account or annuity (IRA) may generally make a contribution up to the lesser of \$1,500 or 15 percent of compensation for the year. However, an individual may not make a deductible contribution for a taxable year to an IRA if he or she is an active participant during any part of the taxable year in a qualified plan, a tax-deferred annuity maintained by a tax-exempt institution, or a governmental plan (whether or not qualified). As a result, an active participant in such a plan may not make a deductible contribution, even though the employer's contribution to the plan on his or her behalf might be quite small or the individual might never vest in a retirement benefit because of frequent changes in jobs.

There is no easy answer to this dilemma once the decision to create IRAs has been made. A solution to the problem which remains within the parameters of the IRA statute is necessarily complex. Because of this, one is tempted to argue that the inequity, if any, must be accepted without further solution. Moreover, although allowing IRAs to individuals who participate in modest retirement plans may mitigate employee objections to establishment of such plans, it is possible that those employees who establish IRAs will resist plan improvements. Therefore, although pressure against the establishment of qualified plans might

be reduced, attempts to meld qualified plans with partial IRA deductions within the framework of the current IRA rules could still have an adverse effect on qualified plans. We discussed these concerns at greater length in testimony before the Subcommittee on Oversight of the House Ways and Means Committee on February 16, 1978. A copy of that testimony is attached.

The broader problem is the question of the tax treatment of employee contributions to tax-favored employee benefit plans. The law is currently in a state of some disarray on this point due to the variety of types of employee benefit plans in existence and the varying approaches to the treatment of employee contributions to them. These plans include traditional types of qualified retirement plans, so-called "cash and deferred" profit sharing plans, unfunded salary reduction arrangements maintained by State and local governments, and a number of others. A number of these areas were addressed by the Committee in H.R. 11351 which in part accepted the approach recommended by Treasury under which amounts set aside at the employee's election are deductible or excludable if the arrangements are non-discriminatory with respect to both coverage of employees and benefits (or contributions) actually provided. We believe non-discrimination in the enjoyment of tax benefits to be essential.

#### Solutions Contained in the Bill

H.R. 12561 addresses both problems described above. Under the bill, an employee who is an active participant in a qualified plan may make a deductible contribution either to that plan or to an IRA. The deductible contribution is limited to the lesser of 10 percent of compensation for the taxable year, or \$1,000. Such deductible contributions may not be made by self-employed individuals or by participants in government plans.

This alleviates the narrow problem described above relating to those who feel that circumstances unfairly deny them deductions for IRA contributions. Contributions up to two-thirds of the amount otherwise allowable to an IRA will be permitted for those who participate in qualified plans.

By itself this provision is objectionable because the likely result is that highly compensated employees will make maximum deductible contributions of \$1,000 each to IRAs

whereas lower paid employees will make very small contributions, or no contributions at all, to IRAs. This effectively results in a discriminatory utilization of the tax benefits associated with the combination of the employer's plan and the IRAs.

As indicated above, the Treasury Department has indicated willingness to support exclusion from income or deductions for what are in effect employee contributions to certain tax favored compensation arrangements only if actual participation and the enjoyment of the tax benefit is non-discriminatory. H.R. 12561 is in accord with this approach with respect to amounts contributed by an employee to the employer's plan since such amounts will be treated as an employer contribution for purposes of measuring discrimination under the plan. Amounts contributed to an IRA should be similarly treated. In the absence of further rules, however, the employer would be unable to determine which employees make IRA contributions and the amount of those contributions. However, this problem could be resolved by requiring that deductions for contributions be available only where those contributions are paid by the employer directly to an IRA, at the direction of the employee. At the option of an employer, the employee could be limited to a choice of one or a few IRAs, or the employee might be allowed to choose whatever IRA he or she wishes.

If this modification were made, we believe there is substantial merit to H.R. 12561 in the context of an overall approach to salary reduction plans and employee contributions. Not only would it mitigate the IRA problem, it also would be an incentive for the establishment of qualified plans by some employers who now do not feel financially capable of providing retirement benefits. As such, the overall retirement protection for the workforce would be increased.

However, we are unable to support the enactment of H.R. 12561 at this point. First, it is not clear that channeling employee contributions through the employer is feasible in the context of employees participating in a multi-employer plan. Moreover, the Labor Department has expressed concern about the application of fiduciary rules to amounts withheld by the employer prior to the transfer to an IRA. Second, we are concerned about the revenue impact of the bill (approximately \$875 million) and urge careful consideration of whether that revenue cost can be responsibly borne at this time. This revenue impact is of significant concern because the largest portion (approximately \$500 million) is derived from allowing deductions for employee contributions which are presently being made on a non-deductible basis. This entails a large revenue loss without a corresponding increase in savings.

Third, we are troubled by the potential loss of retirement security for low-income workers. We are particularly concerned that H.R. 12561 may encourage the establishment or retention of plans which require employee contributions in order to share in the benefits provided by employer contributions. Such plans ordinarily have lower participation among low paid employees. They may also have the effect of undercutting the vesting requirements to the extent that for younger participants in defined benefit plans, mandatory employee contributions actually pay for all or most of the benefit.

In summary, provided that the potential for discrimination through the use of IRAs is eliminated, the approach of H.R. 12561 carries out ideas which we have suggested to the Congress earlier this year. It is worthy of consideration in the context of an overall solution to the salary reduction plan. However, it raises serious problems which deserve further study.

Further, revenue constraints may dictate deferring enactment until a later date. However, if Congress does wish to proceed, it may be preferable to introduce this approach in several steps. For example, an appropriate first step might be its application only to plans to which employee contributions are completely voluntary. This would alleviate many of the most serious problems and would entail a lesser revenue cost of \$200 million in 1979 and \$250 million in 1981 and thereafter.

The Office of Management and Budget has advised the Treasury Department that there is no objection from the standpoint of the Administration's program to the presentation of this report.

Sincerely,

Donald C. Lubick  
Assistant Secretary  
for Tax Policy

The Honorable  
Al Ullman, Chairman  
Committee on Ways and Means  
House of Representatives  
Washington, D. C. 20515

Enclosure

ADMINISTRATION'S POSITION  
ON  
THE REVENUE ACT OF 1978 (H.R. 13511)  
AS REPORTED BY THE SENATE FINANCE COMMITTEE

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## PERSONAL TAX CHANGES

### I. GENERAL TAX CUTS

(1) Personal Exemptions. The Finance Committee accepted a House provision that would raise the \$750 personal exemption to \$1,000 for each taxpayer and dependent. The increased exemption would replace the existing personal tax credit, which is equal to the greater of \$35 per exemption or 2 percent of the first \$9,000 of taxable income. (An added exemption for disabled individuals is discussed below under "Miscellaneous Tax Measures.")

Revenue Estimate <u>1/</u> :	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-799	-1,291	-1,691	-1,730

Administration Position: To promote tax simplification, it is important that there no longer be a combination of exemptions and personal credits. We would have preferred that this existing combination be replaced by a simple \$240 credit rather than a \$1,000 exemption; a credit would have the virtue of providing an equal tax differential for various family sizes regardless of income level. The \$1,000 exemption is acceptable only if the total package of individual tax cuts provides equitable relief for low and middle-income taxpayers.

(2) Zero Bracket Amount (Standard Deduction). The zero bracket amount (formerly known as the standard deduction) would be increased from \$2,200 to \$2,300 for single taxpayers and from \$3,200 to \$3,400 for couples; these changes are also contained in the House bill. In a departure from the House bill, the Finance Committee would raise the zero bracket amount for heads of households from \$2,200 to \$3,000.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-933	-1,862	-2,209	-2,263

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1/ All figures for revenue estimates are in millions of dollars. Estimates refer to provisions in the Finance Committee bill, unless otherwise indicated.

Administration Position: Support the changes for single taxpayers and joint returns; opposed to the increased zero bracket amount for heads of households.

The increased zero bracket amount for singles and married couples is one means of providing tax relief to persons in lower income levels. This change has the additional advantage of enabling many taxpayers to avoid the complications caused by itemizing deductions.

However, a \$3,000 zero bracket amount for heads of households would have the effect of increasing the "marriage penalty." In the case of taxpayers with dependent children, the discrepancy between the zero bracket amount available to two single individuals and the one available to a married couple would be expanded from \$1,200 to \$1,900 (or even \$2,600).

(3) New Rate Schedule. Like the House bill, the Finance Committee version would retain a range of individual tax rates from 14 percent to 70 percent, with the top rate being applied to taxable income over \$215,400 on a joint return (compared with \$203,200 under current law). Instead of following the House procedure of widening each bracket by about 6 percent, the Finance Committee rate schedule would contain fewer and wider brackets.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-7,101	-11,377	-22,093	-23,592

Administration Position: We have no objection to the concept of bracket widening as an alternative to reducing rates within existing brackets. But we are concerned about the overall distribution of the Finance Committee bill. Because of the excessive capital gains cuts benefiting high-income taxpayers, persons in the middle-income ranges do not receive an adequate share of the total tax savings.

The Senate should consider modifications that improve the overall progressivity of the bill by scaling down the capital gains cuts.

(4) Earned Income Credit. Currently, a taxpayer with a dependent qualifies for a credit equal to 10 percent of the first \$4,000 of earned income, with the credit being phased out at income levels between \$4,000 and \$8,000. The Finance Committee bill would increase the credit to 12 percent of the first \$5,000 of earned income (for a maximum credit of \$600); the credit would be reduced by \$1.20 for every \$10 of income above \$6,000, with a complete phase out at \$11,000 of income. Residents of Alaska and Hawaii would be permitted higher credits based on cost-of-living differentials; for example Alaska residents would be eligible for a maximum credit of \$750 rather than \$600. Other changes would permit the credit to be reflected in withholding, treat the credit as earned income for welfare benefit purposes, and simplify credit computations.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-110	-1,725	-1,513	-1,465

Administration Position: Support, except for cost-of-living differentials.

This provision would provide work incentives for low-income taxpayers by helping to offset the disproportionately large social security tax burdens borne by these individuals.

## II. SIMPLIFICATION OF ITEMIZED DEDUCTIONS

(1) Repeal of Deduction for State and Local Gasoline Taxes. The Finance Committee would retain a provision in the House bill that repeals the itemized deduction for State and local gasoline taxes.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	+459	+1,147	+2,020	+2,224

Administration Position: Support.

The amendment would simplify tax return preparation and promote energy conservation. The 69 percent of taxpayers who do not itemize deductions receive no benefit from a gasoline tax deduction; therefore, it essentially subsidizes the personal automobile use of higher-income taxpayers.

(2) Medical Expenses. The House bill would repeal the separate deduction for one-half of insurance premiums (up to \$150) as well as the separate deductibility floor (equal to 1 percent of adjusted gross income) for drug expenditures; the effect would be to place all medical expenditures under one 3 percent floor. The Finance Committee bill does not include this provision.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>	
	+15	+37	+52	+55	(House pro- vision)

Administration Position: At a minimum, the House provision should be restored.

The common 3 percent floor for all medical expenditures would substantially streamline the itemized deduction schedule.

(3) Political Contributions. A taxpayer may now choose either to claim political contributions as an itemized deduction or to claim a credit for one-half of his contributions. The Finance Committee voted to double the maximum political contributions credit, from \$50 to \$100 (on a joint return). The Committee would retain the existing deduction of up to \$200 (on a joint return). Under the House bill, the current credit would be retained and the deduction eliminated.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	--	-16	-16	-16

Administration Position: Opposed to the Finance Committee provision.

The current scheme of an alternative deduction or credit is confusing and should be eliminated. Retaining only the credit, as in the House bill, would provide an equal tax incentive regardless of tax bracket. However, the cost effectiveness of a tax incentive for political contributions has not been proven sufficiently to justify any increase in amount, such as provided in the Finance Committee bill.

### III. UNEMPLOYMENT COMPENSATION

Phase Out of Exclusion for Unemployment Compensation. Following the Administration's recommendation, the House would phase out the tax exclusion for unemployment benefits received by single persons with incomes over \$20,000 and couples making more than \$25,000. This proposal was rejected by the Finance Committee.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	--	+251	+263	+268 (House pro- vision)

Administration Position: The House provision should be restored.

Unemployment compensation is a substitute for wages. At higher income levels, there is no reason to provide a tax benefit for this form of income as compared to the receipt of wages. This special tax preference serves as a positive incentive not to work.

#### IV. TAX SHELTERS AND TAX ENFORCEMENT

(1) At Risk Provisions. In 1976, Congress enacted rules that limit the extent to which certain taxpayers can deduct tax shelter losses attributable to investment indebtedness for which they have no personal liability. As recommended by the Administration, the House bill would extend these "at risk" limitations to all investment activities (except real estate) and to all taxpayers except widely-held corporations. The Finance Committee rejected this provision.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	+2	+14	+5	+6 (House pro- vision)

Administration Position: House provision should be restored.

Tax shelter promoters have devised new schemes that are claimed to fall outside of the specific at risk provisions enacted in 1976. Expanding the statutory at risk provisions, as in the House bill, would help to curtail some of the most abusive tax shelter gimmicks.

(2) Partnership Audits. In January, the Administration presented a detailed proposal that would provide the Internal Revenue Service with auditing procedures better equipped to ensure tax compliance by shelter partnerships. Basically, these provisions would permit a determination of partnership issues at the partnership level, rather than requiring a separate determination with respect to each individual partner. The House adopted a small portion of the Administration's proposals: a civil penalty could be imposed against the partnership for failure to file a return, and the time limitation for additional assessment would be extended from 3 years to 4 years for tax returns attributable to federally-registered partnerships. The Finance Committee adopted only the civil penalty provision.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	* <u>2/</u>	*	*	*

Administration Position: The House time limitation provision should be expanded to cover all syndicated investment partnerships, and additional portions of the Administration's January recommendation should be adopted.

Substantive rules to curtail tax shelter abuses are ineffective in the absence of adequate enforcement mechanisms. Unless the IRS is provided better tools for auditing shelter partnerships, large-scale tax avoidance will be prevalent.

(3) Tax Treatment of Independent Contractors. To aid enforcement of tax laws, employers are required to withhold employment taxes (income, social security and unemployment insurance) from wages paid employees. A business hiring independent contractors need not withhold. Under the Finance Committee bill, the IRS would be prohibited from adopting any position inconsistent with a general audit position in effect prior to January 1, 1976 or inconsistent with a regulation or ruling in effect on that date. Also, the IRS would be prevented from reclassifying an individual as an employee if the business, in good faith, had consistently treated such individual as an independent contractor.

2/ Less than \$5 million.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	*	*	*

Administration Position: Opposed.

The Administration is working with Congress in order to devise a more satisfactory rule for determining when a business is required to withhold income, social security, and unemployment insurance taxes. Freezing IRS practices, without a resolution of the substantive issue, ignores the fundamental problem. It also creates a serious inequity by prohibiting the IRS from enforcing the law even in those instances where the existing rules clearly require withholding.

(4) Reporting of Tips. Internal Revenue Service rulings, issued in 1975 and 1976, require an employer to report to the IRS any charge account tips that are paid by the employer to the employee. The Finance Committee voted to overturn these rulings and to exempt restaurants and related businesses from information reporting with respect to charge account tips paid to their employees.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-8	-50	-68	-72

Administration Position: Opposed.

This is an issue of tax evasion. The IRS rulings, overturned by the Committee bill, would not require any additional record-keeping by employers. This special exception for restaurants from the general information reporting requirements applicable to all businesses will further reduce tax compliance by a group of employee-taxpayers that now severely underreports income.

V. PENSIONS, DEFERRED COMPENSATION AND OTHER  
EMPLOYEE PLANS

(1) Employer Contributions to Individual Retirement Accounts. Under current law, individuals who do not participate in employer-sponsored pension plans can establish individual retirement accounts (IRAs); an employee can make annual deductible contribution to an IRA in an amount not exceeding the lesser of \$1,500 or 15 percent of compensation. Under the Finance Committee bill, employers could establish a simplified pension plan under which contributions on a nondiscriminatory basis could be made to IRAs established by plan participants. Employer contributions would be limited to the lesser of \$7,500 or 15 percent of an employee's compensation. If employer contributions were less than the normal IRA limits (lesser of \$1,500 or 15 percent of compensation), the employee could make up the difference with deductible contributions.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-6	-15	-49	-55

Administration Position: Support.

This provision would encourage employer funding of retirement benefits for employees without many of the recordkeeping problems and technical requirements associated with conventional pension plans.

(2) Employee Contributions to Retirement Plans. If an employee does not participate in a "qualified" pension plan sponsored by his employer, the employee can deduct contributions to an individual retirement account (IRA) as long as those contributions do not exceed the lesser of \$1,500 or 15 percent of compensation. An employee cannot deduct contributions to a "qualified" retirement plan established by the employer. The Finance Committee bill would provide the employee a deduction for amounts contributed by him to a qualified plan or by the employer on his behalf to an IRA, provided that overall participation by employees is on a nondiscriminatory basis; deductibility limits would be the lesser of \$1,000 for voluntary contributions (\$100 for mandatory contributions) or 10 percent of compensation.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-144	-320	-536	-564

Administration Position: This provision would provide employee-participants in employer-sponsored plans a tax treatment for contributions similar to those available under the IRA provisions. However, revenue constraints may dictate deferring enactment of this provision until a later time.

(3) Limitation on Pension Benefits. Currently, benefits under tax-qualified defined benefit pension plans (i.e., plans that provide a specified benefit level) cannot generally exceed 100 percent of an employee's average pay for his three highest years. The Committee bill would waive this limitation for certain collectively bargained plans covering at least 100 participants and not basing benefits on pay; in such instances, the "100 percent of average pay" rule would not apply as long as the employee's pay for any 3 of the 10 years prior to his retirement did not exceed the average for all plan participants.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	*	*	*

Administration Position: No objection.

With the qualifications provided in this amendment, it avoids the taint of a plan being used by high-income individuals to defer income beyond what is needed to replace their current earnings level.

(4) Deferred Compensation Under A Salary Reduction Plan. Under a "salary reduction" arrangement, employees can elect to defer receipt of compensation until later taxable years. The House bill would provide that employees (and independent contractors) of State and local governments, tax-exempt rural electric cooperatives, and taxable employers would not

be taxed on deferred amounts until payment is actually received. In the case of governments and cooperatives, deferral would be limited to the lesser of 33-1/3 percent of nondeferred pay or \$7,500. The Finance Committee approved the House measure and added a further deferral privilege for employees of other non-governmental tax-exempt organizations, who would be treated under the rules applicable to employees of taxable entities.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-86	-150	-212	-220

Administration Position: Opposed.

The House provision relating to governments should be amended to eliminate benefits for independent contractors, to limit exclusion to 25 percent of net pay and to require coverage of rank-and-file employees in order to obtain preferential tax treatment.

Because of other provisions of law, the only employees of non-governmental tax-exempt organizations who can benefit from the Finance Committee bill are highly paid executives. Allowing unlimited deferral for these persons is unjustified -- particularly in light of the reasonable restrictions on broadly based government plans.

(5) Deferral Election Under Salary Reduction Plans.  
The Finance Committee bill would permit a participant in a State or local government salary reduction plan to elect to defer compensation on a monthly basis rather than requiring that the election be made prior to the year of deferral.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	*	*	*

Administration Position: No objection.

If salary reduction plans are to be granted tax-preferred status, we have no objection to permitting a monthly election.

(6) Cafeteria Plans. A "cafeteria plan" is an arrangement under which a participating employee elects the type of fringe benefits to which employer contributions will be applied on his or her behalf. Some of these benefits may be taxable, and others may be nontaxable. Under the House bill, employer contributions to a cafeteria plan would generally not be included in an employee's taxable income to the extent he elected "nontaxable benefits." However, contributions to discriminatory cafeteria plans would be taxable to highly-compensated employees to the extent they could have elected to receive "taxable benefits." The Finance Committee agreed to this provision.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	*	*	*

Administration Position: Support.

This provision is substantially similar to a proposal originally made by the Administration in January. It accords with a sound rule of tax policy that preferred status be granted to employee benefits only if there is broad employee participation.

(7) Cash or Deferred Profit-Sharing Plans. A "cash or deferred profit-sharing plan" is a plan that permits an employee to elect whether to receive a current salary payment or to have that amount contributed on his behalf to a profit-sharing plan. The Finance Committee, in a modification of the House bill, would permit tax qualification only if non-discrimination standards were met.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	*	*	*

Administration Position: Support the Finance Committee change.

As in the case of cafeteria plans, these employee plans should be granted tax-favored status only if there is no discrimination against rank-and-file employees.

(8) Deferred Compensation Plans for Independent Contractors. Currently, an employer is not entitled to deduct deferred compensation provided under a nonqualified deferred compensation plan until the employee-participant includes that compensation in income. On the other hand, amounts deferred by an independent contractor can nevertheless be deducted immediately by the business paying the compensation. The House bill would deny the business a deduction until the deferred compensation is included in income by the independent contractor. The Finance Committee adopted this same provision.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	*	*	*

Administration Position: Support.

A deduction for compensation paid should be matched with the inclusion of compensation received for both employees and independent contractors.

(9) Life Insurance Funding for Public Employee Plans. A life insurance company is not now taxed on income derived from reserves applicable to tax-qualified retirement plans. However, since many public employee retirement plans have not been "qualified" under the Internal Revenue Code, insurance companies are generally unable to sell annuity contracts to such plans without incurring tax liability. Under the Finance Committee bill, annuity contracts would be treated as if sold to a "qualified" plan in the event those contracts are sold either to funded public employee retirement plans or to nonqualified, unfunded deferred compensation programs.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	*	*	*

Administration Position: Support.

This provision would make another funding medium, the annuity contract, available to more retirement plans of public employees.

(10) Benefits for Employees of Charitable Organizations.  
An employee of a charitable organization is not currently taxed on amounts contributed by his employer to purchase retirement annuities or stock in a mutual fund. However, a purchase of mutual fund shares may be less desirable since distributions prior to age 65 are generally prohibited. The amendment allows more flexibility for distributions of mutual fund shares to employees, while retaining the concept that these shares are to be purchased primarily for retirement.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	*	*	*

Administration Position: No objection.

This provision would reduce a disincentive to invest in mutual fund stock. It would be appropriate to eliminate the disincentive entirely by subjecting retirement annuities to the distribution limitations applicable to mutual fund stock.

(11) Non-discrimination Requirement for Medical Plans.  
Some employers reimburse employees for medical and accident expenses covered under a self-insured medical and accident reimbursement plan. An employer can receive a deduction for amounts paid to employees under such a plan while the employees incur no tax liability on amounts received. The Finance Committee bill would terminate such tax-free treatment for executives to the extent the reimbursement plan discriminates against rank-and-file employees.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	*	*	*

Administration Position: Support.

Most persons cannot deduct medical expenses unless those expenses exceed 3 percent of the taxpayer's adjusted gross income, and persons using the standard deduction receive no medical deduction at all. There is no reason to permit some highly-compensated employees to use nontaxable dollars for all medical expenditures, through the medical reimbursement device.

#### VI. MISCELLANEOUS TAX MEASURES

(1) Tax Credit for the Elderly. In the Tax Reform Act of 1976, the tax credit for persons age 65 or over was increased. The elderly credit is currently 15 percent of \$3,750 (for joint returns with both spouses age 65) or \$2,500 (for single taxpayers or couples with one spouse under age 65). However, the credit base is now reduced by one-half of adjusted gross income exceeding \$10,000 (in the case of joint returns) or \$7,500 (in the case of single taxpayers) and by the amount of tax-free social security or railroad retirement income received.

Under the Finance Committee bill, the maximum credit base would be increased from \$3,750 to \$4,500 (for joint returns with both spouses age 65) and from \$2,500 to \$3,000 (for single taxpayers or couples with one spouse under 65). The Committee would also increase the respective phase-down levels for adjusted gross income from \$10,000 to \$17,500 (joint returns) and from \$7,500 to \$15,000 (singles).

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-104	-278	-278	-278

Administration Position: Opposed.

- Given budgetary constraints, extreme care must be exercised in allocating tax relief. This provision is a costly tax benefit that would not help most senior citizens. The proposed increase in the elderly credit would provide no benefit whatsoever to the 18 million elderly Americans with incomes so low that they have no tax liability.

(2) Personal Exemption for Disabled Individuals. A personal exemption, available now for the blind, would be extended by the Finance Committee for individuals or spouses who are totally or permanently disabled. By 1981, such persons could claim a full \$1,000 exemption; the exemption would be limited to \$500 in the interim. Excluded from coverage would be persons receiving benefits as disabled veterans, or disabled civil service employees, or individuals obtaining disability benefits under the Social Security Act or other Government programs.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-121	-242	-546	-559

Administration Position: Opposed.

This provision is not responsive to the needs of the handicapped. Expenses attributable to disability are generally deductible as medical expenses. Consequently, the basic unmet need of the handicapped is not the lack of income adjustments to reflect increased expenses. The fundamental problem is a lack of income -- a problem that cannot be addressed effectively through the tax system. The proposed \$1,000 exemption would provide \$700 of relief to the most affluent taxpayers, \$140 of relief to persons in the lowest tax bracket, and no relief to the poorest individuals not subject to taxation.

(3) Estate Tax Treatment of Jointly-Owned Businesses.

For the purpose of the estate tax, a Finance Committee amendment would exclude from the decedent's estate a portion of a farm or closely-held business owned jointly by the decedent and his spouse. The spouse who did not contribute the original capital to acquire the farm or business would be treated as "earning" his or her share at the rate of 2 percent per year (up to a maximum of 50 percent of the value of the business).

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	--	-37	-43	-46

Administration Position: Support.

A married couple with adequate tax advice can already secure the estate tax advantages that would be provided by this amendment. The amendment would merely extend the same advantages to taxpayers who lack the resources to obtain tax counsel.

(4) General Stock Ownership Plans. Corporations, unlike partnerships, are generally treated as taxable entities distinct from corporate shareholders. An exception is now provided in the case of "subchapter S" corporations, mutual funds and real estate investment trusts where corporate income is generally taxed directly at the shareholder level. The Finance Committee bill would extend similar treatment, under limited circumstances, to State-chartered corporations where all residents of a State are allocated a stock interest in the corporation. Activities of the corporation and ownership of its stock would be subject to numerous limitations.

Revenue Estimate:	Negligible revenue loss in first few years; long-run cost could be substantial.
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Administration Position:	With the carefully prescribed restrictions in the Committee amendment, this limited extension of a "subchapter S" concept complies with present tax principles. A 5-year trial
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period will provide Congress and the Administration with information to determine whether this concept should be expanded further or eliminated.

(5) Educational Assistance Plans for Employees. An employee whose educational expenses are paid, directly or indirectly, by his employer must generally include those payments in income without an offsetting deduction. An offsetting deduction is usually permitted only if the employee is developing skills required for his current position, as opposed to skills required to qualify for a new position. The Finance Committee would provide a tax exclusion for amounts paid by an employer pursuant to an educational assistance program that does not discriminate against rank-and-file employees and that meets certain other requirements.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-18	-26	-37	-40

Administration Position: In view of the nondiscriminatory requirement and other restrictions to prevent abuse, this provision is an acceptable extension of the current rules for excluding educational expenses paid by employers.

(6) Exclusion from Income for Certain Government "Scholarships." Although students are generally permitted to receive scholarships on a tax-free basis, the tax exclusion is denied in most instances where the student agrees to perform services in exchange for the educational grant. A special exception to this rule is provided for participants in the Armed Forces Health Professions Scholarship Program and the Public Health Service/National Health Service Corporation Scholarship Program; the current exclusion will not apply to persons entering these programs after December 31, 1978. The Finance Committee would extend the exclusion to persons entering the programs in 1979 in order to permit the Joint Committee on Taxation to complete a study of this issue.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	*	*	*

Administration Position: No objection.

We do not object to a limited extension of this special provision. Upon completion of the Congressional study, we hope that appropriate tax treatment can be provided on a permanent basis.

(7) Forgiveness of Student Loan Obligations. The Internal Revenue Service has ruled that a taxpayer, whose student loan obligation is forgiven upon the rendering of services, must report that loan forgiveness as taxable income. The Tax Reform Act of 1976 declared a moratorium on the taxation of such loan cancellations through December 31, 1978, and the Finance Committee would extend this moratorium through 1982.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	*	*	*

Administration Position: No objection.

We do not object to a limited extension of the moratorium.

(8) Surtax for Excess Government Spending. Under the Committee bill, a surtax would be imposed on individuals and corporations in the event that Federal expenditures exceeded certain prescribed levels (adjusted for inflation). The surtax would not apply in the event the unemployment rate was in excess of 7 percent for 3 consecutive months, or in the event of war.

Administration Position: Opposed.

The growth in Federal spending must be curtailed and the budget deficit reduced. The Administration is committed to these objectives. However, we cannot support the mechanistic approach outlined in the Committee amendment.

(9) Older Americans Tax Counseling Assistance. The Finance Committee would expand the current volunteer income tax assistance program. The IRS would be authorized to contract with nonprofit agencies to prepare tax counseling assistance for elderly individuals.

Administration Position: Expansion of the volunteer income tax assistance program is desirable.

(10) Studies by the Treasury Department. The Finance Committee agreed to direct the Treasury Department to study the appropriate tax treatment of foreign owners of U.S. real estate interests and also to study methods of simplifying the filing of individual tax returns.

Administration Position: No objection.

## BUSINESS TAX CHANGES

### I. CORPORATE RATE CUTS

The Senate Finance Committee adopted a House provision that provides a corporate rate schedule more graduated than that under current law. The corporate rate would be reduced from 20 percent to 17 percent on the first \$25,000 of corporate income, from 22 percent to 20 percent on income between \$25,000 and \$50,000, from 48 percent to 30 percent on income between \$50,000 and \$75,000, from 48 percent to 40 percent on income between \$75,000 and \$100,000, and from 48 percent to 46 percent on income over \$100,000.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-2,265	-5,033	-6,773	-7,089

Administration Position: We agree that the top corporate rate should be reduced at this time to 46 percent. However, we believe that the top rate should continue to apply to corporate income in excess of \$50,000.

A steeply graduated corporate rate structure raises troubling questions of tax equity. It should be borne in mind that individuals are the ultimate taxpayers; therefore, the tax policy goal of progressivity has meaning only as it relates to the impact of the system on individuals. In this regard, we fear that the rate schedule in the bill would induce many high-income individuals to use a corporation as a tax shelter -- avoiding the higher tax rates that would be applicable if that same income were taxed directly to them.

## II. INVESTMENT TAX CREDIT CHANGES

(1) General Changes in Investment Credit. A taxpayer may now claim an investment tax credit generally equal to 10 percent of the cost of qualifying business assets. The credit can be used to offset all of the first \$25,000 of tax liability and 50 percent of tax liability in excess of \$25,000. In 1981, the investment credit is scheduled to revert to a 7 percent rate, and the maximum qualifying amount of used property is scheduled to be reduced from \$100,000 to \$50,000.

The Finance Committee agreed to two basic changes contained in the House bill: (a) Making the 10 percent rate and \$100,000 used property limitation permanent, and (b) increasing from 50 percent to 90 percent the amount of tax liability in excess of \$25,000 that could be offset by the credit, with this increased ceiling phased-in at an additional 10 percent per year.

Revenue Estimate: <u>3/</u>	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-129	-287	-782	-728

Administration Position: Generally support.

These modifications are generally in line with the recommendations submitted by the President in January. We believe that the permanent 10 percent credit and a liberalization of the tax liability limitation will increase the potency of this incentive for business investment in productive equipment. However, to prevent a taxpayer from offsetting all tax liability with the investment credit, we recommend that the first \$25,000 of tax liability also be subject to the 90 percent ceiling.

3/ Excludes cost of extension.

(2) Investment Credit for Rehabilitation of Structures.

The present investment credit is generally limited to purchases of machinery and equipment, as opposed to acquisitions of buildings and other real property. The House bill would extend the credit to expenditures incurred in connection with the rehabilitation of industrial and commercial buildings. The Finance Committee did not agree to this provision.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-84	-237	-340	-355 (House pro- vision

Administration Position: House provision should be restored.

Government policy should promote the revitalization of urban areas. One means of encouraging urban development is to provide an investment credit for rehabilitating existing structures. Since the credit is not available with respect to new construction of structures, businesses would be encouraged to rebuild in inner-city areas.

(3) Employee Stock Ownership Plans (ESOPs). An employee stock ownership plan (ESOP) is a plan under which a trust acquires employer stock to be held for the benefit of employee-participants in the plan. In the Tax Reduction Act of 1975, an employer was granted an additional percentage point of investment tax credit (bringing the credit to 11 percent) if amounts equivalent to the additional credit were contributed to an ESOP. (A plan eligible for this special investment credit treatment has become known as a "TRASOP.") In 1976, an additional one-half percentage point investment credit (bringing the credit to 11-1/2 percent) was granted if an employer and its employees both contributed amounts equal to that additional one-half percentage point credit. These special investment credit provisions are now scheduled to expire after 1980.

The Finance Committee bill would make the additional investment credit provisions for TRASOP's permanent and would also provide numerous modifications of the requirements for tax-qualification of ESOPs and TRASOP's.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	--	--	-545	-591

Administration Position: In general, we are not opposed to the extension of these temporary investment credit provisions. However, we do believe that the investment credit base for TRASOP's should be converted to a partial credit based upon wages. Also, the proposed changes in qualification requirements for ESOP's and TRASOP's should be revised -- especially to provide participants with more adequate disclosure of matters affecting them as shareholders.

(4) Investment Credit for Breeding and Draft Horses. Although most livestock is eligible for the investment tax credit, horses are now excluded. The Committee bill would extend credit eligibility to breeding and draft horses, but not to horses held for sporting purposes.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-6	-15	-21	-22

Administration Position: No objection.

There appears to be no sound reason for permitting an investment credit with respect to breeding cattle, while denying an investment credit with respect to breeding and draft horses.

(5) Investment Credit for Certain Single-Purpose Structures. Structures are not generally eligible for the investment tax credit. However, under the Finance Committee bill, the credit would be allowed with respect to structures used for single-purpose food or plant production (including such structures as pig pens and chicken coops). This change would be made effective retroactively to August 15, 1971.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-53	-22	-26	-27

Administration Position: Opposed.

The eligibility rules for the investment credit need reexamination in order to provide clearer, more rational distinctions. But the investment credit should not be extended to structures on a piecemeal basis.

(6) Investment Credit for Agriculture Cooperatives. Agriculture cooperatives are subject to a tax treatment similar to that accorded mutual funds and real estate investment trusts. In computing its taxable income, a cooperative can deduct certain dividends distributed to its patrons. However, the cooperative's investment credit is proportionately reduced to the extent patronage dividends offset taxable income. The Finance Committee agreed that patronage dividends would no longer have the effect of reducing a cooperative's investment credit. In addition, an investment credit not utilized by the cooperative could be "flowed through" for use by the patrons.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-46	-33	-39	-40

Administration Position: Generally, no objection.

We do not object to this provision insofar as it makes the investment credit more fully available to cooperatives.

However, we are concerned about possible complications resulting from the "flow through" of the credit to patrons.

(7) Investment Credit for Certain Lessors of Railroad Cars. Under current law, railroads and airlines have a more generous tax liability limitation for the investment credit than do most taxpayers. The House bill would provide that, as the tax liability ceiling for most taxpayers is being phased-in to 90 percent, taxpayers investing in railroad or airline assets would still be permitted to use the special limitations for those industries if such limitations are more liberal. The Finance Committee would extend these investment credit rules in the House bill to corporate manufacturers who lease railroad cars to others.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-4	-8	+2	+2

Administration Position: No objection.

There is no reason to deny the benefits of the House provision to corporate manufacturer-lessors.

(8) Extension of Investment Credit Carryforwards. In the event investment credits cannot be used currently due to tax liability limitations, present law generally permits the taxpayer to carry the excess credits to 3 prior taxable years or to 7 succeeding taxable years. The Finance Committee bill would provide one additional carryforward year for credits that would otherwise expire in 1977. This is a one-time extension of the carryforward period and would not apply to credits expiring in 1978 or later years.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
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Administration Position: Opposed.

We object to changing the rules retroactively to confer a benefit on a few companies for whom the existing carryforward period expired last year.

(9) Investment Credit for Pollution Control Facilities.

Under current law, a taxpayer can elect special 5-year amortization with respect to certain pollution control facilities used in connection with plants in existence before 1976. However, if this rapid amortization is claimed, a taxpayer is entitled to one-half of the normal investment credit (for a credit generally equal to 5 percent of the investment). The House bill would permit the full 10 percent credit to be combined with rapid amortization, except to the extent the pollution facility has been financed with tax-exempt industrial development bonds. Under the Finance Committee version, the House provision would be retained without the credit reduction relating to tax-exempt financing.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-10	-14	-211	-228

Administration Position: Opposed.

In the President's January tax message, he recommended a full 10 percent credit for pollution control facilities even if those facilities are being amortized over a 5-year period. However, that proposal was advanced only in connection with the elimination of tax-exempt status for pollution control bonds. By combining these two proposals, the Administration's program would have provided tax relief for businesses retrofitting existing buildings to meet anti-pollution requirements while, at the same time, easing the pressure on municipal finance that now results from a proliferation of pollution control bonds.

We oppose a liberalization of the investment credit for pollution control facilities as long as tax-exempt financing remains available. If Congress does not accept this basic

Administration position, we would urge retention of at least the House provision that would limit the extent to which a taxpayer could combine 5-year amortization, a full 10 percent credit, and tax-exempt financing. The Finance Committee approach is unduly generous.

### III. EMPLOYMENT-RELATED TAX CREDITS

(1) Targeted Jobs Tax Credit. The Finance Committee would replace the current general jobs tax credit, which expires at the end of 1978, with a targeted jobs credit. To encourage employment of disadvantaged individuals, an employer would receive a credit of up to \$3,000 for the first year of employment of certain individuals, up to \$2,000 for the second year, and up to \$1,500 for the third year of employment. Eligible employees under the Finance Committee bill include: economically disadvantaged Vietnam-era veterans, economically disadvantaged youth (age 18 to 24), persons receiving disability benefits under the Supplemental Security Income program (SSI); handicapped persons referred from vocational rehabilitation programs; persons who have been receiving general assistance payments from State or local governments for a period of at least 30 days; and economically disadvantaged ex-convicts. The Finance Committee's targeted jobs credit modifies a similar provision in the House bill; the Senate proposal would apply for 1979, 1980 and 1981.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 81</u>	<u>CY 81</u>
	-115	-330	-77	-89

Administration Position: Support.

A targeted jobs credit was proposed by the President as part of his urban program. This provision is necessary in order to provide meaningful work experience for persons who have not been reached by general incentives for investment and job creation. The

Finance Committee provision is along the lines of the President's recommendation, and we support this constructive effort to combat structural unemployment.

(2) WIN and Welfare Recipient Employment Tax Credits.  
Currently, an employer can receive a tax credit equal to 20 percent of the wages paid during the first 12 months of employment to individuals who have received AFDC payments for at least 90 days or who are placed in employment under the WIN program. The amount of credit claimed by any employer cannot now exceed the first \$50,000 of tax liability plus one-half of tax liability exceeding \$50,000.

The Finance Committee agreed generally to increase these credits to 75 percent of the first \$6,000 in wages paid in the first year of employment, 65 percent of the first \$6,000 in wages for the second year, and 55 percent of the first \$6,000 in wages paid the third year. These percentages would be applied against the first \$7,000 of wages beginning in 1981. An employer's wage deduction would be reduced by the amount of credit claimed -- a rule similar to that applicable to the targeted jobs credit. The current limitation on the amount of credit available against tax liability would be removed.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	FY 83	<u>CY 83</u>
	-63	-161	-427	-455

Administration Position: Generally, no objection.

Tax incentives are needed to encourage the employment of those persons most in need of work opportunities.

However, these credits should not relieve taxpayers of all tax liability. The WIN and welfare recipient employment credits, as well as the investment credit and targeted jobs credit, should be limited to 90 percent of tax liability.

#### IV. DEPRECIATION

In computing depreciation allowances, taxpayers are permitted to elect to apply the asset depreciation range (ADR) system. Under ADR, the Treasury Department establishes useful lives of assets based on industry-wide experience. An electing taxpayer can then select any depreciable life ranging from 20 percent below to 20 percent above the prescribed class life for the industry. The shorter useful lives, permitted by the 20 percent range, provide taxpayers with a substantial benefit in the form of increased depreciation deductions.

The Finance Committee bill would expand the asset depreciation range from 20 percent to 30 percent. In addition, the ADR system would be simplified by the elimination of certain reporting requirements and the disregarding of salvage value in computing depreciation allowances.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-231	-513	-2,812	-3,040

Administration Position: Opposed.

In view of budgetary concerns, there is a limited amount of revenue available to provide increased incentives for business investment. The Administration believes that incentives can be provided most efficiently and fairly in the form of rate reductions rather than increased depreciation allowances. The economy certainly cannot afford the current Finance Committee package that combines large corporate rate cuts, a substantial increase in depreciation allowances, and a huge tax cut for capital gains. We urge elimination of the 30 percent ADR provision and a curtailment of the capital gains cut.

The Administration is studying the entire area of capital cost allowances and will report its findings next year.

V. SMALL BUSINESS PROVISIONS

(1) Small Business Depreciation. The substantial tax savings provided under the ADR system, whether applied with a 20 percent or 30 percent range, will be unavailable to many small businesses. For small businessmen, the tax savings under ADR are often outweighed by the perceived complexities in meeting the recordkeeping and bookkeeping requirements. Even with the simplifications proposed by the Finance Committee, the remaining ADR requirements will undoubtedly intimidate many taxpayers who lack access to costly legal and accounting expertise.

Therefore, the Administration has proposed that small businesses be granted tax relief similar to that offered by ADR -- but under a vastly simplified system designed specifically for small businesses.

(a) Rather than using a complicated accelerated method of depreciation (such as the double-declining balance method), a small business would use straight-line depreciation; accordingly, an equal percentage of an asset's cost would simply be written-off each year.

(b) To compensate for the loss of tax savings that would otherwise be available under an accelerated depreciation method, a small business would be permitted to combine straight-line depreciation with depreciable lives shorter than those permitted for large businesses under the ADR system.

(c) The special small business depreciation system would have fewer than 20 asset categories, as opposed to about 150 under ADR.

Businesses with \$250,000 or less in adjusted basis of eligible assets would qualify for the special small business system. We estimate that about 90 percent of all businesses meet this eligibility requirement.

Revenue Estimate: <u>4/</u>	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-5	-19	-422	-542

Administration Position: We believe that adding our proposal would provide genuine small business relief in a streamlined format.

4/ Assumes a 20 percent ADR range.

(2) Subchapter S Provisions. The subchapter S rules permit certain small corporations to be treated essentially like partnerships. The income and losses of a subchapter S corporation are generally passed through the corporation to the shareholders, who then reflect such income or loss on their individual tax returns. A corporation generally may not elect subchapter S status unless it has 10 or fewer shareholders; however, after having subchapter S status for 5 years, the permissible number of shareholders is increased from 10 to 15.

The Finance Committee bill would: (a) Increase the number of permissible shareholders from 10 to 15, without regard to the current 5-year limitation; (b) treat spouses as one shareholder for purposes of applying the 15-shareholder rule; (c) permit as shareholders those trusts required to distribute all income currently, with each trust beneficiary being counted in applying the 15-shareholder rule; and (d) liberalize the election rules by permitting a corporation to elect subchapter S at any time during the first 75 days of the current taxable year or at any time during the preceding taxable year.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	*	*	*

Administration Position: Support.

These subchapter S provisions are substantially the same as those recommended by the Administration in January. The new rules would provide more flexibility and fewer complications for small businesses.

(3) Small Business Corporation Stock. Following another recommendation of the Administration, the Finance Committee bill would double (from \$500,000 to \$1 billion) the amount of a small corporation's stock that can qualify for special ordinary loss treatment, and would also double (from \$25,000 to \$50,000) the amount of losses that can be claimed by any taxpayer with respect to such stock. Moreover, there would no longer be a requirement that this stock be issued pursuant to a plan.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	*	*	*

Administration Position: Support.

These provisions, proposed by the Administration, would encourage risk-taking in small business enterprises.

#### VI. DEDUCTIBILITY OF ENTERTAINMENT EXPENDITURES

Most taxpayers must pay for entertainment activities with dollars that have already been subject to tax. However, some persons are now permitted to spend before-tax dollars to purchase entertainment. This tax advantage is achieved through a deduction for certain entertainment expenditures that are claimed to be business related.

The Finance Committee agreed to deny entertainment deductions for some of the most abusive situations. A deduction would no longer be permitted for the acquisition or maintenance of entertainment facilities such as hunting lodges and yachts, or for dues paid to most athletic, sporting, country, and social clubs.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	+51	+113	+151	+158

Administration Position: Support.

Allowing entertainment expenses to be deducted, without taxing related personal benefits to the recipient, offends fundamental principles of tax policy because it seriously distorts income measurement. The effect is a large loss of Federal revenue and, more importantly, the disillusionment of average taxpayers denied such tax advantages. At a minimum, the Finance Committee's proposal relating

to entertainment facilities should be adopted. Extension of deductibility limitations to other entertainment expenditures, in line with the President's January tax message, is also justified and long overdue.

## VII. MUNICIPAL FINANCING AND INDUSTRIAL DEVELOPMENT BONDS

(1) Bondholder Taxable Option. Interest on debt obligations issued by State and local governments is exempt from Federal income tax. This current provision creates two problems. First, the present system is a very inefficient means of providing a Federal subsidy to State and local governments; less than three-fourths of the revenue lost to the Federal Treasury actually accrues to State and local governments through lower borrowing costs. Second, the exemption is a major source of tax avoidance by wealthy individuals, who retain for themselves the portion of the Federal revenue loss not accruing to State and local governments.

A Finance Committee amendment would help to alleviate these problems. Under the Committee bill, a taxpayer would still be given the option of exempting all municipal bond interest from income. As an alternative, the taxpayer could elect to include 167 percent of the bond interest in income and to claim a tax credit for 67 percent of that interest.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	-38	-467	-607 (include outlays)

Administration Position: Support.

This provision would not mean any increased Federal involvement in State and local financing. But it would help State and local governments by making their bonds more attractive to persons in income brackets that are not high enough to justify investment in tax-exempt issues.

This provision would improve municipal financing prospects and would also enhance the equity of the income tax system.

(2) Small Issue Exemption for Industrial Development Bonds. Generally, there is no tax exemption for "industrial development bonds" issued by State and local governments for the benefit of private industry. However, some bond issues that provide funds for manufacturing plants and other private businesses do qualify for the tax exemption. One of the current exemptions is for "small issues" of industrial development bonds where the amount of the bonds sold does not exceed \$1 million or the total capital expenditures of the facility being financed do not exceed \$5 million over a 6-year period. The Finance Committee would raise the \$1 million limitation to \$2 million, and would raise the \$5 million limitation to \$12 million.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	-3	-39	-45

Administration Position: Opposed.

By simply increasing the small issue exemption in general, this provision would not improve the competitive position of those depressed localities most in need of investment funds; the provision would serve only to increase the supply of tax-exempt bonds backed by the credit of private industry.

This provision would result in some of the largest industrial corporations competing for funds in the tax-exempt market with conventional borrowings by State and local governments to finance schools, fire stations and other traditional projects. This competition would lead to higher interest rates for State

and local borrowings which, in many cases, will be translated into higher local property taxes.

The Administration recommends that the financial assistance be targeted by retaining the small issue exemption only for economically distressed areas; and, with respect to those areas, we recommend that the \$5 million ceiling be raised to \$20 million.

(3) Tax-Exempt Bonds for Water Projects. The Finance Committee agreed to permit the issuance of tax-exempt bonds to finance facilities for furnishing water if they are operated by a governmental unit and make water available to the general public, including electric utility, industrial, agricultural or other commercial users. The current exemption is limited to water facilities, if the water is available "on reasonable demand" to the general public.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	-4	-65	-79

Administration Position: No objection.

(4) Advanced Refunding of Industrial Development Bonds. The Internal Revenue Code generally denied tax exemption to interest on industrial development bonds issued after April 30, 1968. The tax law can be circumvented if tax-exempt status also applies to a "refunding" that extends the maturity of the outstanding bonds; an extension of the maturity of those outstanding bonds is in all respects the equivalent of new tax-exempt financing.

On November 4, 1977, the Treasury Department issued a press release announcing that new regulations imposing substantial restrictions on such refundings would be proposed and would be applicable to refunding bonds issued after that date. The regulations were in fact proposed on December 1, 1977.

The Finance Committee adopted an amendment that would provide tax-exempt status to certain refundings occurring after the November 4 cutoff date, as long as certain actions had been taken prior to that time.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	-7	-9	-9

Administration Position: Opposed.

This provision benefits one security firm and only a handful of major industrial corporations. It enables these corporations to benefit from tax-exempt financing and provides no benefit whatsoever to any State or local government.

(5) Tax-Exempt Bonds for Certain Public Facilities.  
The Finance Committee adopted an amendment which would permit advance refunding of obligations of a governmental unit substantially all the proceeds of which are used to provide public airports, docks, wharves, mass commuting facilities or parking, storage or training facilities directly related to any of the foregoing, and public convention and trade show facilities.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	*	*	*

Administration Position: No objection.

(6) Disposition of Profits Arising From Certain Advance Refundings. Under the Committee bill, certain issuers of tax-exempt bonds would be permitted to distribute to charities the arbitrage profits arising from the advance refunding of State and local debt obligations; these refundings are those that took place before the publication of a Treasury news release on September 24, 1976 prohibiting such distributions.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
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Administration Position: No objection.

We have no objection to this limited rule for distribution of arbitrage profits to charities.

(7) Judicial Review of Private Letter Rulings on Tax-Exempt Bonds. The Finance Committee agreed to provide a procedure for judicial review of IRS rulings regarding the tax-exempt status of a proposed bond issue.

Administration Position: Opposed.

We generally support the principle of judicial review of IRS rulings requested by bond issuers. However, the Finance Committee proposal is unworkable and therefore highly undesirable. It encourages forum shopping, will not present courts with a real case or controversy, and will not provide guidance either to bonds issuers or the IRS.

#### VIII. MISCELLANEOUS TAX MEASURES

(1) Accounting Requirement for Large Farming Corporations. The Tax Reform Act of 1976 generally requires farming corporations to use the accrual method of accounting in order to match properly the taxpayer's farming expenses and farming income. That Act contains exceptions from the accrual accounting requirement for certain corporations. One of the exceptions is for corporate farms with annual gross receipts of \$1 million or less; another exception is for farms controlled by one family, without regard to size or the extent of public ownership.

The Finance Committee bill adopts two changes contained in the House bill. One amendment would provide an additional exception to the accrual accounting rules for certain farm corporations owned by two or three families. Another amendment would permit certain farmers, nurserymen, and florists to use the accrual accounting method without inventorying growing crops.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	*	*	*

Administration Position: Opposed.

The provision in the bill is apparently designed to avoid competitive advantages for one-family corporations now permitted to use cash accounting. However, we feel that the appropriate means of eliminating the competitive imbalances is to repeal the one-family corporation exception. Small farms would still be able to use cash accounting. But there is no reason to permit multi-million dollar corporations to utilize a cash accounting privilege designed for unsophisticated taxpayers.

The provision relating to the inventorying of growing crops is unnecessary. On July 28, 1978, the IRS issued Revenue Procedure 78-22, which allows any eligible farmer, nurseryman, or florist on the accrual method of accounting to change to the cash method. This revenue procedure should eliminate any undue hardship for the taxpayers covered by the Finance Committee amendment. The House provision is not needed to provide relief.

(2) Accrual Accounting Exception for Large Sod Farms.  
In addition to the exceptions for 1-family farms and farms with annual receipts of less than \$1 million, there is an exception from the accrual accounting requirements for taxpayers engaged in the business of operating a nursery. For the purpose of this rule, a nursery does not now include the operation of a sod farm. The Finance Committee bill would amend the rule to treat sod farms as nurseries, thereby exempting large corporate sod farms from the accrual method of accounting.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	*	*	*

Administration Position: Opposed.

The current exception for nurseries is based, in part, on the fact that there is a long growing period for young trees being raised by nurseries. This rationale does not apply in the case of sod growers.

(3) Contributions in Aid of Construction. In the Tax Reform Act of 1976, Congress provided that nonshareholder contributions in aid of construction by a water or sewage disposal utility were to be treated as nontaxable contributions to the capital of the utility. The Senate rejected an amendment in 1976 to expand that rule to include contributions in aid of construction to regulated public gas and electric utilities. The Finance Committee bill now contains this amendment.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	-96	-100	-107

Administration Position: Opposed.

The 1976 amendments relating to water and sewage disposal utilities are unsatisfactory. In effect, those provisions provide the equivalent of current deductibility of capital expenditures that should normally be recovered through depreciation. This area requires major study. Adding gas and electric utilities to the current provision would only serve to compound the difficulties.

(4) Excise Tax on Investment Income of Private Foundations. Currently, an excise tax of 4 percent is imposed on the net investment income of private foundations. The stated purpose of this excise tax, enacted in 1969, is to defray the Government's cost in auditing private foundation activities. Under the Finance Committee bill, the excise tax would be reduced from 4 percent to 2 percent for taxable years beginning after September 30, 1977.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-40	-40	-40	-40

Administration Position: No objection.

Experience has shown that the 4 percent excise tax raises more revenue than is needed to cover private foundation auditing expenses. We do not object to a decrease in the excise tax to 2 percent.

(5) Excise Tax on Coin-Operated Devices. There is an excise tax, generally equal to \$250 per year, imposed on "slot" machines and certain other coin-operated gaming devices. State taxes paid on such devices are permitted to be offset against the Federal excise tax, but there is now a credit ceiling equal to 80 percent of Federal tax. Under the Finance Committee bill, the credit would be increased to 95 percent for 1979 and 1980. After 1980, the Federal excise tax would be repealed.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-5	-4	-7	-7

Administration Position: No objection.

(6) Real Estate Investment Trusts. Currently, a real estate investment trust ("REIT") is subject to a 100 percent tax on income from property held primarily for sale in the ordinary course of business. The purpose of this tax is to promote the REIT objective of investing in real estate rather than acting as a real estate dealer. A Committee amendment would provide that property would not be considered to be "held primarily for sale" by a REIT where certain "safe harbor" tests have been met. For example, the property would generally have to be held by the REIT for rent during a period of at least 4 years.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	*	*	*

Administration Position: No objection.

The amendment provides reasonable standards that will provide more certainty in applying the "primarily held for sale" rule.

(7) Deficiency Dividend Procedure for Small Business Investment Companies. A small business investment company, which meets the standards of a "Regulated Investment Company," can avoid tax at the corporate level as long as 90 percent of income is paid out to shareholders. A similar rule applies to Real Estate Investment Trusts (REITs). If the recomputation of a REITs income upon audit would cause the 90 percent test to be failed, the REIT is now permitted to declare a "deficiency dividend" to meet the test. The Committee bill would extend this deficiency dividend procedure to small business investment companies and other regulated investment companies.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	*	*	*

Administration Position: Support.

There is no reason to deny small business investment companies a deficiency dividend procedure now available to REITs.

(8) Interest on Deposits in Puerto Rican Branches of U.S. Savings and Loan Associations. Individuals resident in Puerto Rico are exempt from U.S. tax on income derived from within Puerto Rico, and U.S. corporations are generally entitled to a possessions credit against any U.S. tax on the foreign source income of their Puerto Rican business and on certain investment income from Puerto Rican sources. Currently, interest on amounts deposited with a Puerto Rican branch of a U.S. commercial bank qualifies for the two types of special possessions treatment under a "branch source" rule. However, this rule does not extend to branches of U.S. savings and loan associations. Under a Committee amendment, the special branch source rule available to commercial banks would be extended to branches of U.S. savings and loan associations.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	*	*	*

Administration Position: No objection.

This provision would end a discrimination against savings and loan associations in comparison to commercial bank branches in Puerto Rico.

(9) Net Operating Loss Carryovers. In the Tax Reform Act of 1976, there was an extensive modification of the rules relating to the carryover of net operating losses as a result of a corporate acquisition or reorganization. In order to provide time for the clarification of the new rules through appropriate statutory amendments, the Finance Committee would delay the effective date of the 1976 Act changes until January 1, 1980 (with respect to plans of reorganization adopted on or after that date) or until June 30, 1980 (with respect to sales or exchanges in taxable years beginning after that date). The Committee bill would also permit taxpayers to elect to apply the new rules in the interim under certain circumstances.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	*	*	*

Administration Position: Support.

This amendment would permit the development of more adequate statutory guidance to taxpayers with respect to loss carryovers.

(10) Recognition of Gain Upon Incorporation. Generally, a taxpayer does not recognize gain or loss upon the transfer of property to a controlled corporation. However, gain is recognized to the extent that liabilities assumed by the corporation, or liabilities attaching to the transferred property, exceed the transferred property's adjusted basis. Under a Committee amendment, items that would have been deductible by a cash-basis taxpayer would not generally be considered liabilities of that taxpayer for purposes of determining whether the transfer results in recognition of gain.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	*	*	*

Administration Position: No objection.

(11) Extension of 5-year Amortization for Low-income Residential Housing. Special 5-year amortization is now provided with respect to expenditures incurred to rehabilitate certain low-income rental housing. This provision is now scheduled to expire at the end of 1978. The Committee would extend the rapid amortization rule through 1981.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-1	-1	-24	-26

Administration Position: No objection.

This provision, along with several tax incentives for multi-family housing, need a careful examination to determine the most effective means of promoting the construction and rehabilitation of such structures. Such a study should examine whether direct expenditures would be more appropriate than tax subsidies; and, if tax subsidies are needed, the study could provide guidance regarding constructive changes in the current system.

Treasury and the Department of Housing and Urban Development are now engaged in such a study. Pending completion of that examination, we have no objections to a temporary extension of the current rapid amortization provision for rehabilitation of low-income rental housing.

(12) Provisions Relating to ConRail. In 1976, 11 insolvent railroads transferred their assets to the Consolidated Rail Corporation (ConRail). Congress mandated this transfer and also directed that the transferor railroads receive ConRail stock and "certificates of value" issued by the United States Railway Association, a nonprofit Government corporation formed to oversee the ConRail reorganization.

The Finance Committee bill would adopt two tax provisions relating to ConRail:

(a) 1976 legislation provided that the transfers to ConRail were generally to be treated as reorganizations for purposes of the tax law. However, the 1976 legislation did not grant to the transferor railroads an exemption from investment credit recapture -- an exemption that generally applies where assets are transferred in a tax-free reorganization. The Committee bill would add an exception to the investment credit recapture rules so that a transferor railroad would not be subject to additional tax on its transfer of rail properties to ConRail.

(b) The 1976 legislation permits a transferor railroad's net operating losses to be carried forward beyond the normal expiration date, but only for use by the transferor against future income arising from court awards or the redemption of certificates of value. The Finance Committee bill would permit net operating loss carryovers to be used to offset income of a corporation where a certificate of value was originally issued to another member of an affiliated group of corporations. This amendment would facilitate a proposed reorganization of transferor corporations.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	*	*	*	*

Administration Position: No objection.

(13) Treasury Studies. The Finance Committee agreed to instruct the Treasury Department to study the tax treatment of pollution control facilities and expenditures mandated by OSHA or the Mining Safety and Health Administration.

Administration Position: No objection.

## CAPITAL GAINS, MINIMUM TAX AND MAXIMUM TAX CHANGES

### I. CAPITAL GAINS OF INDIVIDUALS

(1) Expansion of Capital Gains Exclusion. Under current law, income from certain transactions (including stock sales, timber sales, receipt of mineral royalties, and real estate sales) is eligible for preferential tax treatment. Fifty percent of capital gain can now be excluded from income before applying the regular tax rates. The excluded half is considered an item of tax preference subject to the current add-on minimum tax and offsetting the amount of earned income eligible for the 50 percent maximum tax ceiling.

The Finance Committee bill would effect two basic changes in the capital gains rules:

(a) The 50 percent exclusion would be increased to 70 percent (so that only 30 percent of an individual's capital gains would be subject to tax). As a result, the top tax rate on capital gains (for persons not subject to the proposed alternative minimum tax) would be 21 percent. A few individuals are currently taxed at rates of about 35 or 40 percent.

(b) An add-on minimum tax would no longer be applied to the excluded portion of capital gain, nor would the capital gain exclusion serve to offset the amount of income eligible for the 50 percent rate ceiling on earned income. Instead, the Committee would apply a new alternative minimum tax to the capital gains and other preferences of certain taxpayers who avoid regular taxation on most of their income. (See discussion under "Minimum Tax".) The top capital gains rate for persons subject to the alternative minimum tax would be 25 percent.

Revenue Estimate: <u>5/</u>	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-295	-3,337	-4,166	-4,486

Administration Position: Opposed.

5/ These revenue estimates include the net effect of repeal of the current add-on minimum tax, adoption of the new alternative minimum tax with modified preference items, and all individual capital gains changes except the exclusion for residences and the postponement of carryover basis.

The Committee's capital gains relief would involve an annual revenue loss of about \$4 billion over current law (using customary revenue estimating procedures). Even if one assumes that these changes would induce more sales of capital assets and thereby generate some offsetting revenue, the net revenue loss would still be about \$3 billion after "feedback."

These huge capital gains cuts would have a serious impact on the progressivity of the tax system. About one-third of the capital gains savings would go to persons with incomes over \$200,000, and persons over \$50,000 would receive two-thirds of the savings. Due in large part to the proposed capital gains cuts, the Finance Committee has reported a bill that provides an inadequate share of the total tax savings to middle-income wage earners.

The proposed 70 percent exclusion would be provided not only to stock sales, but also to such items as profits from the sale of jewelry, antiques, commodity contracts and real estate purchased for speculation. Persons receiving income from wages, interest, and inventory profits would still be taxed at full rates. By widening the gap between capital gains and ordinary income, there would be increased discrimination among different forms of income and increased pressure

for sophisticated tax planning to meet the technical Code definition of "capital gains."

Although the Finance Committee action has sometimes been compared to Administration proposals in 1963, the Committee bill is noticably lacking the capital gains reforms proposed at that time -- the elimination of capital gain treatment for a number of transactions (e.g., timber sales and receipt of mineral royalties) not involving true investment gain and the taxation of unrealized appreciation at the time of death.

(2) Carryover Basis. Prior to passage of the Tax Reform Act of 1976, the tax law provided for the complete forgiveness of any income tax on appreciated property held until death. A decedent's heirs were granted a step-up in basis of inherited property. The effect of this rule was to measure taxable gain on a subsequent sale only with respect to appreciation occurring after the decedent's death.

The rule for a step-up in basis at time of death was justifiably criticized as one of the most outrageous loopholes in the Internal Revenue Code. It discriminated among different forms of wealth. If an individual accumulated savings from the proceeds of asset sales or from wages, that wealth was subject to both income and estate taxation. On the other hand, only an estate tax was imposed on those persons who could afford to invest in assets and retain those assets until death (perhaps using the appreciated value to secure loans through the years). The 1963 Administration program proposed that this loophole be closed by taxing unrealized appreciation at death.

As a counterpart to substantial estate tax relief, the Tax Reform Act of 1976 adopted a compromise position between the 1963 proposal for taxing capital gains at death and the step-up basis rule. The 1976 Act would generally require an heir to use the same asset basis as used by the decedent (with certain adjustments to account for death taxes paid).

Transition rules were provided so that the new "carryover basis" rules would apply only to appreciation occurring after 1976.

The provisions in the 1976 Act have been properly criticized as being too complex. Senator Hathaway has worked with the Administration and with representatives of the legal and accounting professions to devise amendments to "clean up" the carryover basis rules. These revisions would eliminate substantially all the technical difficulties of the present statutory structure.

The Finance Committee voted to postpone the effective date of the carryover basis provisions until 1980. The Committee declined to adopt the "clean up" bill proposed by Senator Hathaway.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-36	-93	-190	-200

Administration Position: Opposed.

In view of the remedial changes that would be effected by the Hathaway bill, postponement of carryover basis is unnecessary. The Finance Committee bill would promote uncertainty. Taxpayers would be unable to plan adequately for the future.

Even if carryover basis is postponed, it is critical that the clean up amendments be adopted. The public deserves to see what will go into effect at the end of the deferral period. The failure to enact the Hathaway bill along with postponement is an effort to undermine the carryover basis provisions and to create pressure for restoring the step-up basis loophole.

(3) Home Sales. In addition to special capital gains treatment, individuals who sell a residence are eligible for other tax preferences. Gain realized from the sale of a principal residence is not recognized if the taxpayer invests the sale proceeds in another residence within an 18-month period (a so-called "rollover" provision). Also, persons who have attained age 65 can exclude that portion of gain attributable to \$35,000 of sale price.

The House bill would have converted the current exclusion for the elderly into a once-in-a lifetime exclusion of \$100,000 of gain on a home sale, regardless of the seller's age. Under the Finance Committee bill, the treatment of home sales would be as follows:

(a) The special exclusion, which now applies only to the elderly, would be extended to all taxpayers. In addition, the exclusion would be expanded to cover gain attributable to \$50,000 (rather than \$35,000) of sale price. Persons under age 65 would have to choose between the use of this special exclusion provision or the current "rollover" provision.

(b) To qualify for the special exclusion, a taxpayer must have owned and used the property as his principal residence for 2 out of the 3 years preceding the sale; the current rule requires use for 5 of the 8 preceding years. Moreover, upon an involuntary conversion of a new principal residence, the holding period of the old residence could be added for the purpose of this rule.

(c) The special exclusion rule could be used for any sale where the holding period requirement is met. Under current law, the exclusion for the elderly can be used only once in a lifetime.

(d) Gain on home sales would not be subject to the minimum tax, nor would it be considered as a preference offset for maximum tax purposes.

(e) An individual would be permitted to utilize the "rollover" provision with respect to gain on more than one principal residence where that individual relocates for employment purposes more than once within an 18-month period following the sale of the first residence.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-141	-301	-398	-435

Administration Position: Support.

We believe that the Finance Committee has adopted reasonable liberalizations of the current rules for homeowners. The Committee's approach is more equitable and less costly than the House proposal.

## II. CAPITAL GAINS OF CORPORATIONS

Alternative Tax on Capital Gains. The capital gains preference for corporations is computed differently from the individual preference. A corporation may elect to have its capital gains taxed at a 30 percent alternative rate in lieu of rates under the normal corporate schedule. A fraction of the capital gain (18/48ths) is then subject to a minimum tax of 15 percent (after allowing certain deductions). The maximum effective rate on corporate capital gains, including both the regular tax and minimum tax, is 31.125 percent.

The Finance Committee voted to reduce the alternative capital gains tax for corporations from 30 percent to 28 percent. Corporate capital gains would remain subject to the existing minimum tax. Accordingly, the maximum effective corporate capital gains rate would be 29.67 percent.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-53	-117	-170	-177

Administration Position: Opposed.

The current preference for corporate capital gains should not be expanded. Much of the preference applies to items that should be taxed at ordinary rates. For example, perhaps one-third of the total tax savings under this proposal would go to timber companies whose income is already preferred over that of other businesses realizing profits from the sale of inventory items.

### III. MINIMUM TAX (AND MAXIMUM TAX) PROVISIONS

(1) New Alternative Minimum Tax. Currently, there is an "add-on" minimum tax that is imposed at a 15 percent rate on several tax preference items. Included among the preferences are the excluded portion of capital gains, accelerated depreciation on real estate, certain intangible drilling costs, percentage depletion, and 6 other items. The minimum tax was adopted in 1969 in the face of the revelation that many high-income individuals were avoiding all or most tax liability.

Recent criticism of the minimum tax has focused on two points. First, an "add-on" minimum tax can affect persons already bearing a substantial tax liability; some persons have objected to the resulting impact on capital gains taxation. Second, since it does affect persons with significant regular tax liability, the minimum tax has been kept at a low rate (15 percent) that permits some sheltered high-income individuals to be taxed at about the same overall rate as the poorest wage earner.

The Finance Committee would repeal the current "add-on" minimum tax on individuals. In its place would be a new alternative minimum tax payable if it exceeded regular tax liability (as reduced by all nonrefundable tax credits except the foreign tax credit). This alternative minimum tax would be computed by adding to taxable income all designated tax preference items (including the excluded portion of capital gains). The alternative minimum tax base would then be subject to rates of 10 percent on amounts between \$20,000 and \$60,000, 20 percent on amounts between \$60,000 and \$100,000, and 25 percent on amounts in excess of \$100,000 (with the foreign tax credit offsetting the minimum tax to the same extent it offsets regular tax).

Revenue Estimate:                      See estimates for individual capital gains changes.

Administration Position: The alternative minimum tax in the Finance Committee bill has several weaknesses.

By removing preferences other than capital gains from an add-on minimum tax, the provision would weaken the current

limitations on many tax sheltered individuals. Thousands of taxpayers, who are now deterred from sheltering by the add-on minimum tax, would find no restrictions imposed by the Committee's provision.

It would raise less than one-half of the revenue of the current add-on minimum tax (if the existing minimum tax were applied to a 70 percent exclusion) and would cover less than 20 percent as many taxpayers.

An alternative minimum tax, whether covering only capital gains or all preferences, should be designed as a matter of basic tax equity to ensure that individuals pay tax on at least one-half of their economic income. In order to accomplish this result, the maximum alternative tax rate would have to be raised from 25 percent to 35 percent. Under the current Finance Committee provision, individuals could still shelter about two-thirds of their income and not be subject to the minimum tax.

(2) Changes in Items of Tax Preference for Minimum Tax and Maximum Tax Purposes. In computing the current minimum tax and the offset to earned income eligible for the 50 percent "maximum tax" ceiling, there are several designated items of tax preference. For individuals, the list of preferences now includes: accelerated depreciation on real property, accelerated depreciation on leased personal property, rapid amortization of pollution control facilities, rapid amortization of railroad rolling stock, the bargain element of stock options, percentage depletion, the excluded portion of capital gains, rapid amortization of child care facilities, certain intangible drilling costs, and excess itemized deductions.

For purposes of the new alternative minimum tax and the maximum tax, the Finance Committee bill would make three changes in the list of individual preferences (in addition to those discussed in connection with capital gains):

(a) Itemized deductions are currently treated as a preference to the extent they exceed 60 percent of the taxpayer's adjusted gross income, with medical expenses and casualty losses not counted as itemized deductions for this purpose. Under the Finance Committee bill, deductions for medical expenses, casualty losses and State and local taxes would not be counted as itemized deductions in computing the preference; and those items would also be subtracted from adjusted gross income in applying the 60 percent rule.

(b) Charitable contributions attributable to transfers to a charitable lead trust before 1977 would not be included in computing the preference for excess itemized deductions. Such charitable transfers are currently exempted through 1975.

(c) Intangible drilling costs would be considered an item of tax preference only to the extent those costs (over the amount amortizable on the basis of a 10-year life or under cost depletion) exceed the taxpayer's income from oil and gas properties. This provision would make permanent an exception that was applicable for 1977.

Revenue Estimate:                      See estimates for individual capital gains changes.

Administration Position: Generally support.

We generally support these modifications in the list of tax preference items.

(3) Treatment of Certain "Personal Service Income" for Maximum Tax Purposes. An individual is eligible for a maximum rate of 50 percent (as opposed to the normal maximum rate of 70 percent) with respect to "personal service income." In general, "personal service income" includes such items as wages, salaries and professional fees. In the case of a noncorporate business in which capital is a material income-producing factor, an individual's personal service income cannot exceed the lesser of 30 percent of his share of the net business profits or a "reasonable allowance as compensation."

The Finance Committee would eliminate the 30 percent limitation. As a consequence, an individual would be permitted to apply the 50 percent maximum tax ceiling to income as long as it constituted a reasonable allowance as compensation for services actually rendered to the business.

Revenue Estimate:	<u>FY 79</u>	<u>CY 79</u>	<u>FY 83</u>	<u>CY 83</u>
	-21	-56	-91	-99

Administration Position: No objection.

Under current law, the "reasonable compensation" test is used in determining the amount of payments deductible by an employer as salaries paid to executives. We have no objection to extending this test for the purposes of applying the maximum tax provisions.



FOR RELEASE AT 4:00 P.M.

October 5, 1978

## TREASURY'S 52-WEEK BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for \$3,162 million, or thereabouts, of 364-day Treasury bills to be dated October 17, 1978, and to mature October 16, 1979 (CUSIP No. 912793 Z7 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 October 17, 1978.

This issue will not provide new money for the Treasury as the maturing issue is outstanding in the amount of \$3,162 million, of which \$1,797 million is held by the public and \$1,365 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 Daylight Saving time, Thursday, October 12, 1978. 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.

(OVER)

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 October 17, 1978, in cash or other immediately available funds or in Treasury bills maturing October 17, 1978. 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.



FOR RELEASE UPON DELIVERY  
EXPECTED AT 10:00 A.M.  
FRIDAY, OCTOBER 6, 1978

STATEMENT OF DAVID J. SHAKOW  
ATTORNEY-ADVISOR, OFFICE OF TAX LEGISLATIVE COUNSEL  
DEPARTMENT OF THE TREASURY  
BEFORE THE  
SUBCOMMITTEE ON MISCELLANEOUS REVENUE MEASURES  
COMMITTEE ON WAYS AND MEANS

Mr. Chairman and members of the Subcommittee:

I am pleased to have the opportunity to present the views of the Treasury Department on the two bills under current consideration by the Subcommittee. The Treasury Department position on each of these bills is summarized in Exhibit A to this statement.

H.R. 14035 (de minimus rule for estimated taxes)

This bill relaxes the requirement for filing declarations of estimated tax. Under current law, no declaration of estimated tax is required if a taxpayer reasonably expects that the amount of taxes which would be owed with the taxpayer's return, over and above amounts withheld from wages and other tax credits, would be less than \$100. The bill would apply this de minimus exception in any case where estimated taxes are expected to be less than \$500. In addition, no penalty would be imposed on individuals for failure to pay estimated income tax if the tax reported on the individual's return is less than \$500.

The rules for estimated tax payments place taxpayers who receive income on which there is no withholding on a pay-as-you-go system similar to the system applied to wage earners. The pay-as-you-go system is beneficial for the

Government, which receives taxes throughout the year, and for the taxpayer, who is not faced with paying a large amount of tax when filing a tax return on April 15. However, because taxpayers may have difficulty determining their actual tax liability before they make out their tax return for the full taxable year, safe harbor rules are provided before any penalty tax is imposed for failure to pay estimated taxes. These safe harbor rules generally allow taxpayers to pay as much tax as they paid the year before and thus satisfy the estimated tax requirement, or to pay 80 or 90 percent of the current year's tax liability (based on facts known on the quarterly due date of the estimated tax return) and thus satisfy the requirement. As noted before, there is an overriding exception where the taxpayer does not expect to owe more than \$100 with the year's tax return.

Because of the exceptions based on prior year's liability, a taxpayer with a large increase in income might owe significant amounts at the end of the year and not be subject to penalties for failure to pay estimated taxes. Also, because of the percentage tests, a taxpayer with a high income tax liability might underpay taxes by a few thousand dollars and still not be subject to a penalty for failure to pay estimated tax. In contrast, though, a relatively low-income taxpayer with steady income might fail the safe harbor tests in the Code even if the taxpayer's underpayment of tax is a relatively small amount. We believe it is appropriate to increase the overriding safe harbor rules for filing declarations of estimated taxes from its present \$100 level so that a taxpayer who does not expect to pay a substantial amount to the Government with his or her return will be permitted to avoid the paperwork involved in making estimated tax payments. However, we believe that it would be unwise to raise the safe harbor figure to \$500 at this time. As indicated above, the estimated tax rules are not solely for the benefit of the Government. They also benefit individuals who would otherwise be faced with a large tax bill on April 15. The \$100 figure was incorporated in the Code in 1972. Before then, the safe harbor rule was applied with a \$40 figure. We believe it would now be appropriate to raise the limit to \$200.

H.R. 13913 (safe harbor rules for real estate investment trusts)

This bill relaxes certain technical rules applied to real estate investment trusts ("REITs"). Prior to 1974, a REIT lost its special tax status if it held any property primarily for sale to customers. In 1974, Congress liberalized this rule and allowed REITs to sell property obtained through foreclosure. In 1976, Congress liberalized the rule further by removing the absolute restriction on REITs holding property primarily for sale to customers. Instead, a 100-percent tax was imposed on gain derived by a REIT from the sale or other disposition of such property.

Under the bill, the rules which restrict sales by REITs are further relaxed. The 100-percent tax will not apply where the following conditions are met.

(1) The property has been held by the REIT for at least four years;

(2) The total expenditures made by the REIT during the four-year period prior to sale do not exceed 20 percent of the net selling price of the property;

(3) The REIT does not sell more than five properties during the taxable year; and

(4) If the property is land or improvements not acquired through foreclosure, the property is held by the REIT for production of rental income for a period of at least four years.

In addition, the bill would increase the additional period that the IRS may grant to a REIT to hold foreclosure property from two years to four years (for a total of six years that foreclosure property may be held).

It has been recognized in the past that the rules preventing the sale of property by a REIT may be unduly restrictive. On the other hand, it would be inappropriate to allow a REIT, which is intended to be a passive entity, to engage in substantial selling activities. We believe that sales allowed by

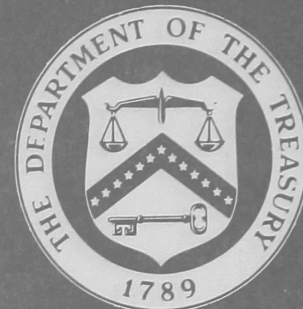
the proposed safe harbor rules are consistent with the purposes of the REIT provisions. In this regard we note particularly the fourth restriction, under which property must have been held by the REIT for the production of rental income for four years before it is sold. We understand that this restriction would not be fulfilled if the property were held for rent at a rate substantially below the market rate, or for a use which indicates that the REIT is not looking for a substantial return on its investment from the rental of the property. This bill is identical to section 373 of H.R. 13511, the tax bill which is being considered at present by the Senate, and the Senate Finance Committee's report accompanying the bill makes a similar point in connection with this rental provision. The Treasury Department does not oppose this bill.

I would be pleased to answer any questions you may have at this time.

EXHIBIT A

H.R. 14035 -- Do not oppose, if a \$200 figure is  
used as a safe harbor rather than  
\$500.

H.R. 13913 -- Do not oppose.



FOR IMMEDIATE RELEASE

October 6, 1978

## 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 October 12, 1978, were accepted at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED		13-week bills		:	26-week bills		
COMPETITIVE BIDS:		<u>maturing January 11, 1979</u>		:	<u>maturing April 12, 1979</u>		
	<u>Price</u>	<u>Discount</u>	<u>Investment</u>	:	<u>Price</u>	<u>Discount</u>	<u>Investment</u>
		<u>Rate</u>	<u>Rate 1/</u>	:		<u>Rate</u>	<u>Rate 1/</u>
High	97.919	8.233%	8.52%	:	95.753	8.401%	8.90%
Low	97.911	8.264%	8.56%	:	95.730	8.446%	8.95%
Average	97.913	8.256%	8.55%	:	95.742	8.422%	8.92%

Tenders at the low price for the 13-week bills were allotted 19%.

Tenders at the low price for the 26-week bills were allotted 6%.

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

Location	Received	Accepted	:	Received	Accepted
Boston	\$ 21,835,000	\$ 21,835,000	:	\$ 11,160,000	\$ 11,160,000
New York	3,598,870,000	1,858,650,000	:	4,692,490,000	3,000,390,000
Philadelphia	15,445,000	14,390,000	:	15,060,000	15,060,000
Cleveland	38,075,000	38,075,000	:	52,005,000	47,005,000
Richmond	28,165,000	25,165,000	:	20,255,000	13,255,000
Atlanta	28,945,000	28,945,000	:	18,245,000	17,575,000
Chicago	233,260,000	117,130,000	:	231,755,000	159,255,000
St. Louis	37,580,000	23,280,000	:	29,560,000	17,560,000
Minneapolis	20,250,000	11,200,000	:	37,905,000	17,905,000
Kansas City	46,155,000	39,125,000	:	36,465,000	22,585,000
Dallas	15,240,000	15,240,000	:	11,190,000	11,190,000
San Francisco	218,730,000	94,630,000	:	170,500,000	54,500,000
Treasury	13,015,000	13,015,000	:	13,615,000	13,615,000
TOTALS	\$4,315,565,000	\$2,300,680,000 <u>a/</u>	:	\$5,340,205,000	\$3,401,055,000 <u>b/</u>

a/Includes \$390,545,000 noncompetitive tenders from the public.

b/Includes \$217,255,000 noncompetitive tenders from the public.

1/Equivalent coupon-issue yield.



CONTACT: ROBERT W. CHILDERS  
(202) 634-5248

FOR IMMEDIATE RELEASE

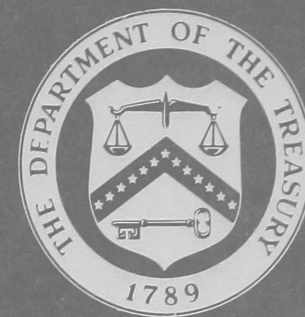
October 6, 1978

REVENUE SHARING FUNDS DISTRIBUTED

The Department of Treasury's Office of Revenue Sharing (ORS) distributed more than \$1.89 billion in general revenue sharing payments today to more than 37,000 State and local governments.

Current legislation authorizes the Office of Revenue Sharing to provide quarterly revenue sharing payments to State and local governments through the end of Federal fiscal year 1980.

Antirecession Fiscal Assistance (ARFA) payments which have usually been paid at the same time as general revenue sharing are no longer being distributed nationally, pending action by the Congress to extend the program. The last regular ARFA payments were made in July of this year in advance for the three months ending September 30, 1978.



FOR IMMEDIATE RELEASE  
October 6, 1978

Contact: George G. Ross  
202/566-2356

**TREASURY ANNOUNCES PUBLIC MEETING TO DISCUSS  
USA/DENMARK TAX TREATY ISSUES, ON NOVEMBER 6, 1978**

The Treasury Department today announced that it will hold a public meeting on November 6, 1978, to solicit the views of interested persons regarding issues being considered during negotiations to develop a new income tax treaty between the United States and Denmark.

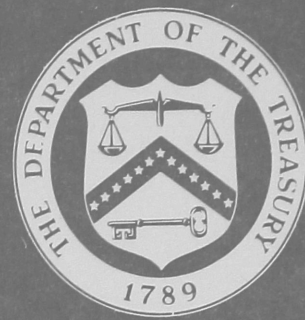
The public meeting will be held at the Treasury Department, at 2:00 p.m., in room 4121. Persons interested in attending are requested to give notice in writing by November 1, 1978, of their intention to attend. Notices should be addressed to H. David Rosenbloom, International Tax Counsel, Department of the Treasury, Washington, D. C. 20220.

Today's announcement of the November public meeting follows the recent conclusion of a further round of negotiations between representatives of the United States and Denmark to develop a new income tax treaty for the avoidance of double taxation and the prevention of tax evasion. The income tax treaty presently in effect dates from 1948.

In the course of the recent negotiations, many subjects of mutual concern were identified and discussed. Among the issues being considered are: taxation of dividends, including the treatment of Denmark's imputation system; taxation of independent personal services, artists and athletes, and directors' fees; taxation of insurance companies; taxation of child support payments; relief from double taxation for U. S. citizens resident in Denmark; inclusion of the Virgin Islands in treaty coverage; and treatment of contributions to pension plans.

The Treasury seeks the views of interested persons in regard to these issues, as well as other matters that may have relevance in the context of an income tax treaty between the United States and Denmark. The November 6 public meeting is being held to provide an opportunity for an exchange of views, as well as for the purpose of discussing the United States position in regard to the issues presented in the negotiations.

This announcement will appear in the Federal Register of Wednesday, October 11, 1978.



FOR IMMEDIATE RELEASE  
October 10, 1978

Contact: Robert E. Nipp  
202/566-5328

**ARMCO INC. WITHDRAWAL OF  
ANTIDUMPING PETITION**

The U.S. Treasury Department today announced that ARMCO Inc. has withdrawn its antidumping petition concerning carbon steel bars, carbon steel strip, carbon steel plates, and certain structural carbon steel shapes imported from the United Kingdom.

The petitions were filed on December 5, 1977, and formal antidumping proceedings were initiated by the Treasury Department on January 23, 1978.

Subsequent to the initiation of the investigations, a steel "trigger price mechanism" recommended by an Interagency Task Force chaired by Treasury Under Secretary Anthony Solomon became effective February 21, 1978, to monitor imports of steel products, including those covered by the ARMCO petition. Under the TPM, the Treasury should be able to identify cases of dumping quickly and to expedite antidumping proceedings.

On October 4, 1978, Robert H. Mundheim, General Counsel of the Treasury received a letter from ARMCO, dated September 29, 1978, stating in part:

"Subsequent to the submission of Armco's petition, the President approved the report and recommendations of the Under Secretary of The Treasury for Monetary Affairs, the Honorable Anthony M. Solomon, for the establishment of a Trigger Price Mechanism to enable the Treasury to monitor imports of steel mill products as a constructive measure to eliminate the then widespread practice of foreign suppliers of selling such products in the United States at less than their fair value. In the ensuing months, all factors in the steel market have cooperated with The Department of The Treasury in its commendable efforts to establish the Trigger Price Mechanism, to update it, and to make it an effective instrumentality to accomplish its intended purpose.

"The Department's cognizant spokesmen have repeatedly warned of the consequences to this innovative program should its limited resources of technically qualified manpower, required for the administration of the TPM, be diverted to the mandatory deadlines attaching to major antidumping investigations of steel mill products. Responsive to these warnings, other complainants in antidumping proceedings involving steel mill products from Japan, the U.K., and other E.E.C. countries, initiated prior to Armco's case, have withdrawn their several complaints, the most recent being the action of National Steel Corporation on August 14, 1978.

"Armco's consideration of similar action has been prolonged by the surge of imports of steel mill products in July and August, 1978, and by the anxiety which is felt throughout the domestic steel mill products industry that the structural characteristics of the TPM may make it an ineffective instrument for achievement of the President's purposes, and those of The Department. We are reassured by the President's public statements this week and by our understanding of the intention of the Under Secretary and yourself to continue The Department's efforts to update and improve the TPM and its administration more effectively to achieve its intended purpose.

"Armco does not desire to handicap these constructive efforts. It appears that the continued pendency of the Antidumping Investigations concerning steel mill products from the United Kingdom, initiated upon Armco's petition of December 2, 1977, may indeed have this unintended, and unfortunate effect. Accordingly, with the hope and expectation that the TPM (demonstrably inadequate in 1978) will be revised so that it will effectively and promptly reduce the unprecedented volume of steel imports into the U.S., Armco hereby withdraws its petition of December 2, 1977."

The termination is without prejudice to the reinstitution of antidumping proceedings on these products by ARMCO.

A formal notice terminating the investigations is being published in the Federal Register. Copies of that notice, ARMCO's withdrawal letter and General Counsel Mundheim's response are attached.

DEPARTMENT OF THE TREASURY

OFFICE OF THE SECRETARY

CARBON STEEL BARS, CARBON STEEL STRIP,  
CARBON STEEL PLATES, AND CERTAIN STRUCTURAL  
CARBON STEEL SHAPES FROM THE UNITED KINGDOM

Termination of Antidumping Investigations

AGENCY: U.S. Treasury Department

ACTION: Termination of Antidumping Investigations.

SUMMARY:

This notice is to advise the public that the antidumping investigations concerning carbon steel bars, carbon steel strip, carbon steel plates, and certain structural carbon steel shapes from the United Kingdom are being terminated. The terminations are based on the withdrawal of the original antidumping petitions, as detailed in the body of this notice and the appendix hereto.

EFFECTIVE DATE: (Date of Publication in the Federal Register).

FOR FURTHER INFORMATION CONTACT:

Linda F. Potts, Assistant to the Director, Office of Tariff Affairs, U. S. Treasury Department, 15th and Pennsylvania Avenue, N.W., Washington, D. C. 20220, telephone 202/566-2951.

SUPPLEMENTARY INFORMATION:

On December 5, 1977, information was received in proper form pursuant to §§ 153.26 and 153.27, Customs Regulations (19 CFR 153.26, 153.27) from Counsel on behalf of Armco Steel Corp. (now Armco, Inc.) alleging that certain steel products from the United Kingdom are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160 et seq.).

This information was the subject of four "Antidumping Proceeding Notices" involving carbon steel bars, carbon steel strip, carbon steel plates, and certain structural carbon steel shapes from the United Kingdom, which were published in the FEDERAL REGISTER of January 23, 1978, (43 FR 3231-33.) A notice extending the antidumping investigatory period for the four investigations was published in the FEDERAL REGISTER on July 26, 1978 (43 FR 32343).

Armco, Inc. submitted a letter dated September 29, 1978, formally withdrawing its petition. This letter is reproduced as an appendix to this notice.

Treasury has been monitoring and will continue carefully to monitor entries of carbon steel bars, carbon steel strip, carbon steel plates, and certain structural carbon steel shapes under the trigger price mechanism and to take appropriate action to insure the effective enforcement of the Antidumping Act with respect to these products. In this connection, it should be noted, as indicated in the notice of proposed rulemaking regarding the special summary steel invoice (42 FR 65214), that Treasury views its authority to withhold appraisement retroactively in appropriate cases as an important tool for providing effective enforcement of the Antidumping Act.

Accordingly, I hereby conclude that based upon the withdrawal of the antidumping petition and in view of the fact that the carbon steel products described above are subject to the "trigger price mechanism" administered by this Department, it is appropriate to terminate these investigations. These terminations are without prejudice to the filing of one or more subsequent antidumping petitions concerning the same products.

/s/

Robert H. Mundheim  
General Counsel of  
the Treasury  
(October 6, 1978)

# ARMCO INC.

GENERAL OFFICES • MIDDLETOWN, OHIO 45043



C. WILLIAM VERITY, JR.  
CHAIRMAN

September 29, 1978

Robert H. Mundheim, Esq.  
General Counsel  
The Department of The Treasury  
Room 3000 Main Treasury Building  
Washington, D. C. 20220

Dear Mr. Mundheim:

Re: Armco Inc. Antidumping Complaint Covering Basic  
Steel Mill Products From The United Kingdom

On December 2, 1977, Armco Steel Corporation (now Armco Inc.) submitted to the Commissioner of Customs a petition for the institution of anti-dumping proceedings in regard to the following categories of carbon steel mill products imported into the United States from the United Kingdom: plates, structural shapes, cold rolled sheets and coils, wire rods and hot rolled bars and bar shapes. The petition included information which tended to establish that these steel mill products were being sold in the United States at less than their fair value within the meaning of Sec. 201 of the Antidumping Act, 1921, as amended.

Subsequent to the submission of Armco's petition, the President approved the report and recommendations of the Under Secretary of The Treasury for Monetary Affairs, the Honorable Anthony M. Solomon, for the establishment of a Trigger Price Mechanism to enable the Treasury to monitor imports of steel mill products as a constructive measure to eliminate the then widespread practice of foreign suppliers of selling such products in the United States at less than their fair value. In the ensuing months, all factors in the steel market have cooperated with The Department of The Treasury in its commendable efforts to establish the Trigger Price Mechanism, to update it, and to make it an effective instrumentality to accomplish its intended purpose.

ARMCO  
V

Robert H. Mundheim, Esq.

Page 2

September 29, 1978

The Department's cognizant spokesmen have repeatedly warned of the consequences to this innovative program should its limited resources of technically qualified manpower, required for the administration of the TPM, be diverted to the mandatory deadlines attaching to major antidumping investigations of steel mill products. Responsive to these warnings, other complainants in antidumping proceedings involving steel mill products from Japan, the U.K., and other E.E.C. countries, initiated prior to Armco's case, have withdrawn their several complaints, the most recent being the action of National Steel Corporation on August 14, 1978.

Armco's consideration of similar action has been prolonged by the surge of imports of steel mill products in July and August, 1978, and by the anxiety which is felt throughout the domestic steel mill products industry that the structural characteristics of the TPM may make it an ineffective instrument for achievement of the President's purposes, and those of The Department. We are reassured by the President's public statements this week and by our understanding of the intention of the Under Secretary and yourself to continue The Department's efforts to update and improve the TPM and its administration more effectively to achieve its intended purpose.

Armco does not desire to handicap these constructive efforts. It appears that the continued pendency of the Antidumping Investigations concerning steel mill products from the United Kingdom, initiated upon Armco's petition of December 2, 1977, may indeed have this unintended, and unfortunate effect. Accordingly, with the hope and expectation that the TPM (demonstrably inadequate in 1978) will be revised so that it will effectively and promptly reduce the unprecedented volume of steel imports into the U.S., Armco hereby withdraws its petition of December 2, 1977.

If in the future it appears that the TPM as modified from time to time, and its administration, are unequal to the achievement of the declared purpose of the President and the Under Secretary, Armco will be forced to reconsider its position, and possibly to resubmit antidumping petitions against what may then appear to be the more grievous dumping practices of foreign suppliers of steel mill products to the United States market.

With assurances of our respect and esteem for your personal efforts, as well as those of the Under Secretary, and with appreciation for the President's interest in this problem and his support of the TPM, I am

Very sincerely yours,

*William Ventry Jr.*



THE GENERAL COUNSEL OF THE TREASURY  
WASHINGTON, D.C. 20220

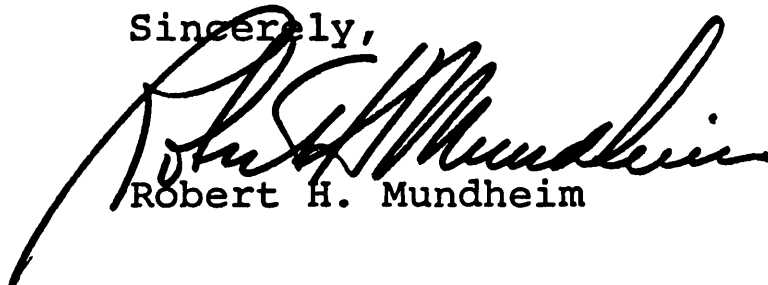
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Dear Mr. Verity:

Thank you for your letter of September 29, 1978, in which Armco withdraws its antidumping petition involving carbon steel bars, carbon steel strip, carbon steel plates, and certain structural carbon steel shapes from the United Kingdom.

Pursuant to your request we have terminated our investigation with respect to the above-named products without prejudice. Enclosed is a copy of a termination notice which will be published in the Federal Register.

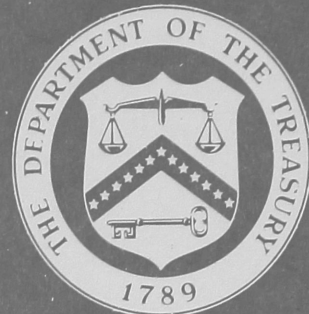
Sincerely,



Robert H. Mundheim

Mr. William C. Verity, Jr., Chairman  
Armco, Inc.  
Middletown, OH 45043

Enclosure



FOR RELEASE AT 4:00 P.M.

October 10, 1978

**TREASURY'S WEEKLY BILL OFFERING**

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately \$5,700 million, to be issued October 19, 1978. This offering will not provide new cash for the Treasury as the maturing bills are outstanding in the amount of \$5,705 million. The two series offered are as follows:

91-day bills (to maturity date) for approximately \$2,300 million, representing an additional amount of bills dated July 20, 1978, and to mature January 18, 1979 (CUSIP No. 912793 W4 4), originally issued in the amount of \$3,404 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately \$3,400 million to be dated October 19, 1978, and to mature April 19, 1979 (CUSIP No. 912793 X9 2).

Both series of bills will be issued for cash and in exchange for Treasury bills maturing October 19, 1978. Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold \$3,278 million of the maturing bills. These accounts may exchange bills they hold for the bills now being offered at the weighted average prices of accepted competitive 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, both series of bills will be issued entirely in book-entry form in a minimum amount of \$10,000 and in any higher \$5,000 multiple, 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 Daylight Saving time, Monday, October 16, 1978. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) 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 in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders 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 on all accepted tenders 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 bills issued in bearer form, 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. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action 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 weighted average price (in three decimals) of accepted competitive bids for the respective issues.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, and bills issued in bearer form must be made or completed at the Federal Reserve Bank or Branch or at the Bureau of the Public Debt on October 19, 1978, in cash or other immediately available funds or in Treasury bills maturing October 19, 1978. Cash adjustments will be made for differences between the par value of the 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 these bills 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 these bills (other than life insurance companies) must include in his or her 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 Circulars, No. 418 (current revision), 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.



# Final Monthly Treasury Statement of Receipts and Outlays of the United States Government

for period from October 1, 1977 through September 30, 1978

TABLE I--TOTALS OF BUDGET RESULTS AND FINANCING (In millions)

Period	Budget Receipts and Outlays			Means of Financing			
	Net Receipts	Net Outlays	Budget Surplus (+) or Deficit (-)	By Borrowing from the Public	By Reduction of Cash and Monetary Assets Increase (-)	By Other Means	Total Budget Financing
Current month (Sept. 1978) .....	\$42,591	\$38,935	+\$3,655	\$2,821	-\$9,731	\$3,255	-\$3,655
Actual 1978 (twelve months) .....	401,997	450,758	-48,761	59,106	-3,023	-7,323	48,761
Comparative data:							
Actual 1977 (twelve months) .....	357,762	402,802	-45,040	53,516	-2,238	-6,238	45,040
Estimated 1978 <sup>2</sup> .....	401,207	452,329	-51,122	54,929	5,000	-8,807	51,122
Estimated 1979 <sup>2</sup> .....	448,163	496,646	-48,483	62,099	.....	-13,616	48,483

TABLE II--SUMMARY OF BUDGET RECEIPTS AND OUTLAYS (In millions)

Classification	Actual This Month	Actual This Fiscal Year to Date	Actual Comparable Period Prior Fiscal Year	Budget Estimates Full Fiscal Year <sup>2</sup>
<b>NET RECEIPTS</b>				
Individual income taxes .....	\$20,883	\$180,988	\$157,626	\$182,041
Corporation income taxes .....	9,753	59,952	54,892	58,955
Social insurance taxes and contributions:				
Employment taxes and contributions .....	7,854	103,893	92,210	104,234
Unemployment insurance .....	162	13,850	11,312	13,620
Contributions for other insurance and retirement .....	499	5,668	5,167	5,722
Excise taxes .....	1,637	18,376	17,548	18,239
Estate and gift taxes .....	445	5,285	7,327	5,200
Customs duties .....	610	6,573	5,150	6,101
Miscellaneous receipts .....	747	7,413	6,531	7,095
Total .....	42,591	401,997	357,762	401,207
<b>NET OUTLAYS</b>				
Legislative Branch .....	86	1,049	976	1,049
The Judiciary .....	57	435	392	459
Executive Office of the President .....	6	75	73	78
Funds Appropriated to the President:				
International security assistance .....	-263	2,020	396	2,560
International development assistance .....	134	1,523	1,636	1,575
Other .....	254	932	454	1,107
Department of Agriculture .....	1,865	20,368	16,738	21,620
Department of Commerce .....	507	5,252	2,606	5,154
Department of Defense - Military .....	8,811	103,124	95,650	102,000
Department of Defense - Civil .....	343	2,553	2,280	2,531
Department of Energy .....	892	6,430	5,252	6,647
Department of Health, Education, and Welfare .....	14,402	162,809	147,455	163,318
Department of Housing and Urban Development .....	543	7,761	5,838	8,032
Department of the Interior .....	670	3,678	3,152	3,919
Department of Justice .....	186	2,397	2,350	2,466
Department of Labor .....	1,728	22,902	22,374	22,905
Department of State .....	74	1,252	1,076	1,255
Department of Transportation .....	1,332	13,452	12,514	13,456
Department of the Treasury:				
Interest on the public debt .....	3,628	48,695	41,900	48,600
Antirecession financial assistance fund .....	.....	1,329	1,699	1,329
General revenue sharing .....	.....	6,823	6,760	6,827
Other .....	-43	-538	102	-462
Environmental Protection Agency .....	431	4,071	4,365	4,540
General Services Administration .....	92	117	-31	83
National Aeronautics and Space Administration .....	344	3,980	3,944	3,980
Veterans Administration .....	1,440	18,962	18,019	18,753
Other independent agencies .....	2,507	25,079	19,884	24,639
Undistributed offsetting receipts:				
Federal employer contributions to retirement funds .....	-847	-4,863	-4,548	-5,018
Interest on certain Government accounts .....	-145	-8,651	-8,131	-8,622
Rents and royalties on the Outer Continental Shelf lands .....	-97	-2,259	-2,374	-2,450
Total .....	38,935	450,758	402,802	452,329
Surplus (+) or deficit (-) .....	+3,655	-48,761	-45,040	-51,122

See footnotes on page 3.

Source: Bureau of Government Financial Operations, Department of the Treasury.

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

N

Classification of Receipts	This Month			Current Fiscal Year to Date			Comparable Period Prior Fiscal Year		
	Gross Receipts	Refunds (Deduct)	Net Receipts	Gross Receipts	Refunds (Deduct)	Net Receipts	Gross Receipts	Refunds (Deduct)	Net Receipts
Individual income taxes:									
Withheld .....	<sup>3</sup> \$14,843,192			\$165,215,153			\$144,820,107		
Presidential Election Campaign Fund .....	137			39,077			36,640		
Other .....	<sup>3</sup> 6,354,220			47,803,913			42,062,356		
Total--Individual income taxes .....	21,197,548	\$314,054	\$20,883,495	213,058,144	\$32,070,370	\$180,987,774	186,919,104	\$29,293,040	\$157,626,064
Corporation income taxes .....	10,153,428	400,449	9,752,978	65,380,145	5,428,280	59,951,866	60,056,566	5,164,202	54,892,364
Social insurance taxes and contributions:									
Employment taxes and contributions:									
Federal old-age and survivors ins. trust fund:									
Federal Insurance Contributions Act taxes .....	<sup>3</sup> 5,236,043		5,236,043	62,366,140	387,225	61,978,915	57,511,704	298,960	57,212,744
Self-Employment Contributions Act taxes .....	<sup>3</sup> 275,675		275,675	3,302,166		3,302,166	3,143,019		3,143,019
Deposits by States .....	<sup>4</sup> -755,257		-755,257	7,859,698		7,859,698	7,676,046		7,676,046
Total--FOASI trust fund .....	4,756,460		4,756,460	73,528,004	387,225	73,140,779	68,330,769	298,960	68,031,809
Federal disability insurance trust fund:									
Federal Insurance Contributions Act taxes .....	<sup>3</sup> 883,245		883,245	10,517,122	50,900	10,466,222	7,605,909	39,260	7,566,649
Self-Employment Contributions Act taxes .....	<sup>3</sup> 48,461		48,461	471,623		471,623	413,693		413,693
Deposits by States .....	334,844		334,844	1,312,550		1,312,550	805,160		805,160
Total--FDI trust fund .....	1,266,550		1,266,550	12,301,296	50,900	12,250,396	8,824,762	39,260	8,785,502
Federal hospital insurance trust fund:									
Federal Insurance Contributions Act taxes .....	<sup>3</sup> 1,185,549		1,185,549	14,213,688	79,600	14,134,088	11,802,498	61,920	11,740,578
Self-Employment Contributions Act taxes .....	<sup>3</sup> 44,712		44,712	493,668		493,668	456,885		456,885
Receipts from railroad retirement account .....				196,506		196,506			
Deposits by States .....	432,053		432,053	1,843,511		1,843,511	1,276,073		1,276,073
Premiums collected for uninsured individuals .....	<sup>5</sup> -585		-585	12,094		12,094	10,506		10,506
Total--FHI trust fund .....	1,661,729		1,661,729	16,759,467	79,600	16,679,867	13,545,962	61,920	13,484,042
Railroad retirement accounts:									
Railroad Retirement Tax Act taxes .....	168,852	-1	168,853	1,822,725	719	1,822,006	1,908,718	224	1,908,494
Total--Employment taxes and contributions .....	7,853,591	-1	7,853,592	104,411,493	518,444	103,893,049	92,610,211	400,364	92,209,847
Unemployment insurance:									
Unemployment trust fund:									
State taxes deposited in Treasury .....	105,783		105,783	11,031,805		11,031,805	9,252,205		9,252,205
Federal Unemployment Tax Act taxes .....	9,993	2,111	7,882	2,642,000	42,090	2,599,910	1,910,447	35,729	1,874,718
Railroad Unemployment Ins. Act contributions .....	48,661		48,661	217,883		217,883	184,583		184,583
Total--Unemployment trust fund .....	164,437	2,111	162,326	13,891,687	42,090	13,849,598	11,347,235	35,729	11,311,506
Contributions for other insurance and retirement:									
Federal supplementary medical ins. trust fund:									
Premiums collected for the aged .....	191,611		191,611	2,186,489		2,186,489	1,986,937		1,986,937
Premiums collected for the disabled .....	25,247		25,247	244,644		244,644	205,966		205,966
Total--FSMI trust fund .....	216,859		216,859	2,431,133		2,431,133	2,192,903		2,192,903
Federal employees retirement contributions:									
Civil service retirement and disability fund .....	272,551		272,551	3,153,352		3,153,352	2,895,221		2,895,221
Foreign service retirement and disability fund .....	2,416		2,416	19,311		19,311	18,538		18,538
Other .....	291		291	1,600		1,600	1,343		1,343
Total--Federal employees retirement contributions .....	275,258		275,258	3,174,263		3,174,263	2,915,102		2,915,102

See footnotes on page 3.

**TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)**

Classification of Receipts--Continued	This Month			Current Fiscal Year to Date			Comparable Period Prior Fiscal Year		
	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 .....	\$6,763	.....	\$6,763	\$62,324	.....	\$62,324	\$58,923	.....	\$58,923
Total--Contributions for other insurance and retirement .....	498,880	.....	498,880	5,667,720	.....	5,667,720	5,166,929	.....	5,166,929
Total--Social insurance taxes and contributions .....	8,516,908	\$2,110	8,514,798	123,970,900	\$560,534	123,410,366	109,124,375	\$436,093	108,688,282
Excise taxes:									
Miscellaneous excise taxes .....	908,650	10,928	897,722	10,202,959	149,309	10,053,649	9,795,722	148,174	9,647,548
Airport and airway trust fund .....	125,520	.....	125,520	1,328,058	2,008	1,326,050	1,193,005	2,068	1,190,936
Highway trust fund .....	595,900	.....	595,900	7,041,882	137,447	6,904,434	6,844,358	135,128	6,709,231
Black lung disability trust fund <sup>6</sup> .....	18,000	.....	18,000	92,050	.....	92,050	.....	.....	.....
Total--Excise taxes .....	1,648,070	10,928	1,637,142	18,664,949	288,765	18,376,184	17,833,085	285,370	17,547,715
Estate and gift taxes .....	451,913	6,536	445,377	5,381,499	96,097	5,285,402	7,425,325	98,448	7,326,877
Customs duties .....	622,639	13,086	609,553	6,728,612	155,894	6,572,718	5,287,479	137,328	5,150,151
Miscellaneous receipts:									
Deposits of earnings by Federal Reserve Banks .....	673,332	.....	673,332	6,641,092	.....	6,641,092	5,908,214	.....	5,908,214
All other .....	73,960	-99	74,059	772,598	622	771,976	640,879	18,334	622,546
Total--Miscellaneous receipts .....	747,291	-99	747,390	7,413,690	622	7,413,068	6,549,093	18,334	6,530,760
Total--Budget receipts .....	43,337,797	747,064	42,590,733	440,597,938	38,600,561	401,997,377	393,195,028	35,432,815	357,762,213

### GENERAL NOTES

- A. Throughout this statement, details may not add to totals due to rounding.
- B. Effective with the August 31, 1977 Statement, certain portions of Tables I and II have been modified. The modified format for Table I includes the addition of a new line presenting current month budgetary and means of financing data. Table II has been revised to present actual current month and comparable period prior fiscal year data. Table II has also been modified to show all activity rounded in millions of dollars.
- C. Effective with the June 30, 1978 Statement, earned income credit payments in excess of an individual's tax liability was reclassified from an income tax refund to a budget outlay by the Internal Revenue Service. This change represents a revision to the budgetary treatment applied prior to June 1977. Budget estimates have also been revised in accordance with this reclassification.

### FOOTNOTES

<sup>1</sup>This Statement contains the final figures showing budget results for the fiscal year ending September 30, 1978.

<sup>2</sup>These budget estimates are based on figures released in the "Mid-Session Review" of the 1979 Budget on July 6, 1978, by the Office of Management and Budget.

<sup>3</sup>In accordance with the provisions of the Social Security Act, as amended, "Individual Income Taxes Withheld" has been increased and "Federal Insurance Contributions Act Taxes" correspondingly decreased by \$510,163 thousand to correct estimates for the quarter ended December 31, 1977. "Individual Income Taxes Other" has been decreased and "Self Employment Contributions Act Taxes" correspondingly increased in the amount of \$23,847 thousand to correct estimates for the calendar year 1976 and prior.

<sup>4</sup>Includes \$334,844 thousand distributed to the Federal Disability Insurance Trust Fund and \$432,057 thousand distributed to the Federal Hospital Insurance Trust Fund.

<sup>5</sup>Includes prior month adjustment.

<sup>6</sup>The Black Lung Disability Trust Fund was formally created on April 1, 1978 pursuant to the "Black Lung Benefits Revenue Act of 1977" (Public Law 95-277).

<sup>7</sup>The Department of Energy was formally created on October 1, 1977 pursuant to "The Department of Energy Organization Act" (Public Law 95-91).

The Department includes all functions of the former Energy Research and Development Administration, Federal Energy Administration, Federal Power Commission, and certain functions from the Department of Commerce, Defense, Interior, (Bonneville Power Administration and other power administrations) and the Interstate Commerce Commission.

<sup>8</sup>Effective October 1, 1977, the "housing for the elderly or handicapped fund" was reclassified from an off-budget to a budgetary account.

<sup>9</sup>This activity was formerly included in the Mining Enforcement and Safety Administration, Department of the Interior.

<sup>10</sup>In accordance with Reorganization Plan No. 2 of 1977, the functions exercised by the United States Information Agency and the Department of State's Bureau of Educational and Cultural Affairs were consolidated to form the International Communication Agency.

<sup>11</sup>On April 1, 1978, the second amendments to the IMF Articles of Agreement entered into force. In accordance with Public Law 94-564, the United States has increased its Quota equivalent to SDR 1,705,000 thousand.

\*Less than \$500.00

\*\*Less than \$500,000.00

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

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Classification of OUTLAYS	This Month			Current Fiscal Year			Comparable Period Prior Fiscal Year		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Legislative Branch:									
Senate .....	\$13,613		\$13,613	\$158,209		\$158,209	\$138,515	\$10	\$138,505
House of Representatives .....	25,302	\$5	25,297	289,318	\$73	289,245	267,080	65	267,015
Joint Items .....	506		506	54,184		54,184	69,477		69,477
Congressional Budget Office .....	632		632	9,835		9,835	8,814		8,814
Architect of the Capitol .....	6,841		6,841	100,256		100,256	88,807		88,807
Library of Congress .....	12,068		12,068	146,380		146,380	133,301		133,301
Government Printing Office:									
Revolving Fund (net) .....	8,486		8,486	1,912		1,912	-24,346		-24,346
General fund appropriations .....	6,847		6,847	115,469		115,469	139,337		139,337
General Accounting Office .....	15,904		15,904	169,507		169,507	154,639		154,639
United States Tax Court .....	492		492	8,759		8,759	8,564		8,564
Other Legislative Branch Agencies .....	1,440		1,440	14,000		14,000	10,109		10,109
Proprietary receipts from the public .....		6,517	-6,517		18,592	-18,592		17,280	-17,280
Intrabudgetary transactions .....	-3		-3	-388		-388	-448		-448
Total--Legislative Branch .....	92,126	6,522	85,604	1,067,442	18,666	1,048,776	993,847	17,355	976,492
The Judiciary:									
Supreme Court of the United States .....	942		942	8,964		8,964	8,319		8,319
Courts of Appeals, District Courts, and other Judicial Services .....	52,574		52,574	401,157		401,157	354,946		354,946
Other .....	4,108		4,108	57,647		57,647	32,042		32,042
Proprietary receipts from the public .....		392	-392		1,543	-1,543		3,468	-3,468
Intrabudgetary transactions .....				-31,100		-31,100			
Total--The Judiciary .....	57,624	392	57,233	436,668	1,543	435,125	395,307	3,468	391,839
Executive Office of the President:									
Compensation of the President .....	21		21	250		250	250		250
The White House Office .....	1,343		1,343	16,572		16,572	17,236		17,236
Office of Management and Budget .....	2,062		2,062	29,299		29,299	26,536		26,536
Other .....	2,207		2,207	28,446		28,446	29,364		29,364
Total--Executive Office of the President .....	5,633		5,633	74,567		74,567	73,386		73,386
Funds Appropriated to the President:									
Appalachian Regional Development Programs .....	31,771	37	31,734	261,729	54	261,675	248,874	6	248,868
Disaster Relief .....	124,297		124,297	470,291		470,291	294,016		294,016
Foreign Assistance:									
International Security Assistance:									
Military assistance .....	11,258		11,258	169,259		169,259	209,280		209,280
Foreign military credit sales .....	158,023		158,023	569,549		569,549	570,486		570,486
Security supporting assistance .....	194,163		194,163	1,907,872		1,907,872	1,061,880	125	1,061,755
Advances, foreign military sales .....	296,830		296,830	8,104,016		8,104,016	8,209,640		8,209,640
Other .....	5,141		5,141	22,511		22,511	25,982		25,982
Proprietary receipts from the public:									
Advances, foreign military sales .....		918,851	-918,851		8,445,172	-8,445,172		9,368,676	-9,368,676
Other .....		9,076	-9,076		308,370	-308,370		312,074	-312,074
Total--International Security Assistance .....	665,415	927,927	-262,512	10,773,207	8,753,542	2,019,666	10,077,267	9,680,875	396,392
International Development Assistance:									
Multilateral Assistance:									
International financial institutions .....	31,189		31,189	858,217		858,217	874,615		874,615
International organizations and programs .....	37,435		37,435	229,823		229,823	250,310		250,310

See footnotes on page 3.

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

Classification of OUTLAYS--Continued	This Month			Current Fiscal Year to Date			Comparable Period Prior Fiscal Year		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
<b>Funds Appropriated to the President--Continued</b>									
Bilateral Assistance:									
Public enterprise funds:									
Development loans-revolving fund .....	\$7,064	\$1,260	\$5,804	\$66,400	\$6,041	\$60,359	\$151,171	\$3,215	\$147,956
Overseas Private Investment Corporation .....	490	2,151	-1,661	1,891	67,286	-65,395	51,748	62,924	-11,175
Inter-American Foundation .....	296	47	249	6,911	400	6,511	5,543	18	5,525
Other .....	369	275	95	9,469	4,988	4,481	5,472	4,393	1,079
Intragovernmental funds .....	3,126	.....	3,126	3,334	.....	3,334	-193	.....	-193
Functional development assistance program .....	67,293	.....	67,293	614,269	.....	614,269	512,263	.....	512,263
Payment to Foreign Service retirement and disability fund .....	2,770	.....	2,770	24,220	.....	24,220	21,250	.....	21,250
American schools and hospitals abroad .....	2,647	.....	2,647	12,822	.....	12,822	13,799	.....	13,799
International disaster assistance .....	3,080	.....	3,080	46,716	.....	46,716	64,741	.....	64,741
Operating expenses of the Agency for International Development .....	17,204	.....	17,204	206,620	.....	206,620	195,189	.....	195,189
Other .....	-4,979	.....	-4,979	54,897	.....	54,897	44,182	.....	44,182
Proprietary receipts from the public .....	.....	30,654	-30,654	.....	533,861	-533,861	.....	483,528	-483,528
<b>Total--Bilateral Assistance .....</b>	<b>99,360</b>	<b>34,386</b>	<b>64,974</b>	<b>1,047,549</b>	<b>612,577</b>	<b>434,972</b>	<b>1,065,166</b>	<b>554,078</b>	<b>511,088</b>
<b>Total--International Development Assistance .....</b>	<b>167,984</b>	<b>34,386</b>	<b>133,598</b>	<b>2,135,589</b>	<b>612,577</b>	<b>1,523,012</b>	<b>2,190,091</b>	<b>554,078</b>	<b>1,636,013</b>
International Narcotics Control Assistance .....	6,994	.....	6,994	34,987	.....	34,987	31,404	.....	31,404
President's foreign assistance contingency fund .....	184	.....	184	3,627	.....	3,627	467	.....	467
<b>Total--Foreign Assistance .....</b>	<b>840,576</b>	<b>962,313</b>	<b>-121,737</b>	<b>12,947,410</b>	<b>9,366,118</b>	<b>3,581,292</b>	<b>12,299,229</b>	<b>10,234,953</b>	<b>2,064,276</b>
Petroleum Reserves:									
Energy supply .....	2,825	.....	2,825	109,383	.....	109,383	107,224	.....	107,224
Emergency energy preparedness .....	.....	.....	.....	245,063	.....	245,063	122,004	.....	122,004
Proprietary receipts from the public .....	.....	5-87,974	87,974	.....	192,813	-192,813	.....	379,385	-379,385
Other .....	50	.....	50	201	.....	201	29,874	.....	29,874
<b>Total--Funds Appropriated to the President .....</b>	<b>999,520</b>	<b>874,376</b>	<b>125,144</b>	<b>14,034,077</b>	<b>9,558,986</b>	<b>4,475,091</b>	<b>13,101,220</b>	<b>10,614,344</b>	<b>2,486,877</b>
<b>Department of Agriculture:</b>									
Departmental Administration .....	5,969	.....	5,969	5,664	.....	5,664	450	.....	450
Office of the Inspector General .....	2,296	.....	2,296	28,921	.....	28,921	25,907	.....	25,907
Agricultural Research Service .....	24,969	.....	24,969	318,402	.....	318,402	294,581	.....	294,581
Cooperative State Research Service .....	13,484	.....	13,484	134,727	.....	134,727	120,572	.....	120,572
Extension Service .....	23,076	.....	23,076	254,006	.....	254,006	240,167	.....	240,167
Statistical Reporting Service .....	4,799	.....	4,799	39,587	.....	39,587	34,715	.....	34,715
Economic Research Service .....	1,887	.....	1,887	32,455	.....	32,455	32,950	.....	32,950
Foreign Agricultural Service .....	2,905	.....	2,905	44,120	.....	44,120	36,915	.....	36,915
Foreign Assistance Programs .....	318,587	.....	318,587	922,885	.....	922,885	1,169,255	.....	1,169,255
Agricultural Stabilization and Conservation Service:									
Salaries and expenses .....	33,293	.....	33,293	215,124	.....	215,124	160,393	.....	160,393
Agricultural conservation program .....	57,594	.....	57,594	264,949	.....	264,949	182,994	.....	182,994
Other .....	3,425	.....	3,425	42,351	.....	42,351	57,275	.....	57,275
Federal Crop Insurance Corporation .....	4,827	7,757	-2,930	138,600	81,164	57,436	160,799	69,831	90,968
Commodity Credit Corporation:									
Price support and related programs .....	735,756	500,560	235,196	12,172,787	6,549,440	5,623,347	6,639,691	2,830,535	3,809,156
Intragovernmental funds .....	-114,646	50,000	-164,646	-64,646	50,000	-114,646	-269,025	50,000	-319,025
National Wool Act program .....	448	.....	448	33,037	.....	33,037	10,427	.....	10,427
<b>Total--Commodity Credit Corporation .....</b>	<b>621,558</b>	<b>550,560</b>	<b>70,999</b>	<b>12,141,179</b>	<b>6,599,440</b>	<b>5,541,739</b>	<b>6,381,093</b>	<b>2,880,535</b>	<b>3,500,559</b>
Rural Electrification Administration (salaries and expenses) .....	1,638	.....	1,638	23,429	.....	23,429	21,709	.....	21,709

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

0

Classification of OUTLAYS--Continued	This Month			Current Fiscal Year to Date			Comparable Period Prior Fiscal Year		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Department of Agriculture--Continued									
Farmers Home Administration:									
Public enterprise funds:									
Rural housing insurance fund .....	\$377,449	\$221,095	\$156,354	\$6,761,435	\$6,312,348	\$449,087	\$5,097,888	\$5,009,085	\$88,803
Agricultural credit insurance fund .....	227,890	172,599	55,291	6,472,529	5,819,078	653,451	3,213,819	2,820,384	393,435
Rural development insurance fund .....	66,810	19,372	47,438	1,300,595	1,163,975	136,620	1,019,509	851,957	167,552
Other .....	2,204	70	2,135	-764	598	-1,363	-735	185	-920
Rural development grant programs .....	25,519	.....	25,519	189,938	.....	189,938	122,488	.....	122,488
Salaries and expenses .....	12,088	.....	12,088	188,037	.....	188,037	172,656	.....	172,656
Other .....	2,832	.....	2,832	22,051	.....	22,051	19,192	.....	19,192
Total--Farmers Home Administration .....	714,792	413,136	301,656	14,933,820	13,295,999	1,637,821	9,644,818	8,681,612	963,205
Soil Conservation Service:									
Conservation operations .....	15,391	.....	15,391	242,465	.....	242,465	215,145	.....	215,145
Watershed and flood prevention operations .....	20,783	.....	20,783	174,628	.....	174,628	177,258	.....	177,258
Other .....	8,348	.....	8,348	82,393	.....	82,393	80,441	.....	80,441
Animal and Plant Health Inspection Service .....	15,740	.....	15,740	200,779	.....	200,779	337,120	.....	337,120
Federal Grain Inspection Service .....	1,301	.....	1,301	11,273	(*)	11,273	10,268	894	9,374
Agricultural Marketing Service .....	4,102	2,000	2,102	70,066	23,909	46,157	106,906	23,569	83,337
Food Safety and Quality Service:									
Funds for strengthening markets, income, and supply .....	17,876	.....	17,876	272,910	.....	272,910	41,921	.....	41,921
Other .....	25,320	.....	25,320	308,103	.....	308,103	95,772	.....	95,772
Food and Nutrition Service:									
Food program administration .....	4,555	.....	4,555	66,851	.....	66,851	.....	.....	.....
Food stamp program .....	477,669	.....	477,669	5,498,775	.....	5,498,775	5,398,795	.....	5,398,795
Special milk program .....	3,703	.....	3,703	138,596	.....	138,596	157,034	.....	157,034
Child nutrition programs .....	201,941	.....	201,941	2,526,732	.....	2,526,732	2,635,039	.....	2,635,039
Special supplemental food programs .....	37,534	.....	37,534	370,569	.....	370,569	245,356	.....	245,356
Other .....	8,420	.....	8,420	51,686	.....	51,686	49,228	.....	49,228
Total--Food and Nutrition Service .....	733,822	.....	733,822	8,653,210	.....	8,653,210	8,485,453	.....	8,485,453
Forest Service:									
Intragovernmental funds .....	-2,235	.....	-2,235	2,008	.....	2,008	-8,365	.....	-8,365
Forest protection and utilization .....	57,849	.....	57,849	780,835	.....	780,835	724,843	.....	724,843
Youth Conservation Corps .....	6,271	.....	6,271	63,099	.....	63,099	48,058	.....	48,058
Forest roads and trails .....	34,091	.....	34,091	211,269	.....	211,269	201,652	.....	201,652
Forest Service permanent appropriations .....	3,994	.....	3,994	323,135	.....	323,135	93,152	.....	93,152
Cooperative work .....	9,392	.....	9,392	77,261	.....	77,261	70,426	.....	70,426
Other .....	8,882	.....	8,882	51,859	.....	51,859	33,699	.....	33,699
Total--Forest Service .....	118,245	.....	118,245	1,509,467	.....	1,509,467	1,163,465	.....	1,163,465
Other .....	2,337	.....	2,337	25,803	.....	25,803	23,958	.....	23,958
Proprietary receipts from the public .....	.....	-46,662	46,662	.....	687,198	-687,198	.....	899,007	-899,007
Intrabudgetary transactions .....	-6,365	.....	-6,365	-35,203	.....	-35,203	-9,121	.....	-9,121
Total--Department of Agriculture .....	2,792,000	926,791	1,865,209	41,056,112	20,687,711	20,368,401	29,293,178	12,555,448	16,737,730
Department of Commerce:									
General Administration .....	1,521	.....	1,521	24,096	.....	24,096	19,930	.....	19,930
Bureau of the Census .....	13,399	.....	13,399	121,472	.....	121,472	89,242	.....	89,242
Economic and Statistical Analysis .....	1,000	.....	1,000	14,269	.....	14,269	12,304	.....	12,304

See footnotes on page 3.

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

Classification of OUTLAYS--Continued	This Month			Current Fiscal Year to Date			Comparable Period Prior Fiscal Year		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Department of Commerce--Continued									
Economic Development Assistance:									
Economic Development Administration:									
Economic development revolving fund.....	\$27	\$4,464	-\$4,436	\$25,854	\$58,863	-\$33,009	\$29,240	\$48,892	-\$19,652
Economic development assistance programs.....	22,407	.....	22,407	329,856	.....	329,856	297,091	.....	297,091
Local public works program.....	319,108	.....	319,108	3,057,363	.....	3,057,363	585,264	.....	585,264
Drought assistance program.....	4,518	.....	4,518	132,594	.....	132,594	14,903	.....	14,903
Other.....	3,238	.....	3,238	41,215	.....	41,215	126,636	.....	126,636
Regional Action Planning Commissions.....	5,210	.....	5,210	103,149	.....	103,149	106,940	.....	106,940
Total--Economic Development Assistance.....	354,507	4,464	350,044	3,690,031	58,863	3,631,168	1,160,073	48,892	1,111,181
Promotion of Industry and Commerce:									
Industry and Trade Administration.....	5,617	.....	5,617	72,287	.....	72,287	68,699	.....	68,699
Minority Business Enterprise.....	4,027	.....	4,027	54,542	.....	54,542	54,258	.....	54,258
United States Travel Service.....	860	.....	860	13,734	.....	13,734	14,364	.....	14,364
Science and Technology:									
National Oceanic and Atmospheric Administration.....	64,689	75	64,614	683,871	1,755	682,116	552,186	1,298	550,888
National Fire Prevention and Control Administration..	317	.....	317	13,370	.....	13,370	14,865	.....	14,865
Patent and Trademark Office.....	6,848	.....	6,848	91,763	.....	91,763	87,409	.....	87,409
Science and Technical Research.....	10,196	.....	10,196	96,027	.....	96,027	87,324	.....	87,324
National Telecommunications and Information Administration.....	694	.....	694	4,005	.....	4,005	.....	.....	.....
Total--Science and Technology.....	82,744	75	82,669	889,036	1,755	887,281	741,784	1,298	740,486
Maritime Administration:									
Public enterprise funds.....	901	2,001	-1,101	108,607	42,734	65,874	9,002	40,196	-31,195
Ship construction.....	12,092	.....	12,092	156,657	.....	156,657	219,425	.....	219,425
Operating-differential subsidies.....	40,040	.....	40,040	303,194	.....	303,194	343,876	.....	343,876
Other.....	5,142	.....	5,142	72,554	.....	72,554	61,404	.....	61,404
Proprietary receipts from the public.....	.....	6,069	-6,069	.....	118,791	-118,791	.....	54,837	-54,837
Intrabudgetary transactions.....	-2,236	.....	-2,236	-46,179	.....	-46,179	-42,685	.....	-42,685
Total--Department of Commerce.....	519,615	12,609	507,006	5,474,303	222,143	5,252,159	2,751,674	145,224	2,606,450
Department of Defense--Military:									
Military Personnel:									
Department of the Army.....	892,569	.....	892,569	10,450,163	.....	10,450,163	9,887,558	.....	9,887,558
Department of the Navy.....	767,540	.....	767,540	8,688,661	.....	8,688,661	8,182,033	.....	8,182,033
Department of the Air Force.....	673,621	.....	673,621	7,936,523	.....	7,936,523	7,645,344	.....	7,645,344
Total--Military Personnel.....	2,333,730	.....	2,333,730	27,075,347	.....	27,075,347	25,714,935	.....	25,714,935
Retired Military Personnel.....	821,219	.....	821,219	9,171,474	.....	9,171,474	8,216,429	.....	8,216,429
Operation and Maintenance:									
Department of the Army.....	925,065	.....	925,065	9,616,754	.....	9,616,754	8,636,709	.....	8,636,709
Department of the Navy.....	1,063,188	.....	1,063,188	11,266,342	.....	11,266,342	9,894,980	.....	9,894,980
Department of the Air Force.....	893,456	.....	893,456	9,757,321	.....	9,757,321	9,173,072	.....	9,173,072
Defense agencies.....	293,276	.....	293,276	2,937,554	.....	2,937,554	2,882,680	.....	2,882,680
Total--Operation and Maintenance.....	3,174,984	.....	3,174,984	33,577,971	.....	33,577,971	30,587,441	.....	30,587,441
Procurement:									
Department of the Army.....	124,036	.....	124,036	3,223,817	.....	3,223,817	2,622,065	.....	2,622,065
Department of the Navy.....	738,979	.....	738,979	9,197,137	.....	9,197,137	8,484,345	.....	8,484,345
Department of the Air Force.....	648,679	.....	648,679	7,334,942	.....	7,334,942	6,921,894	.....	6,921,894
Defense agencies.....	22,683	.....	22,683	219,657	.....	219,657	149,925	.....	149,925
Total--Procurement.....	1,534,377	.....	1,534,377	19,975,554	.....	19,975,554	18,178,230	.....	18,178,230

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

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Classification of OUTLAYS--Continued	This Month			Current Fiscal Year to Date			Comparable Period Prior Fiscal Year		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Department of Defense--Military--Continued									
Research, Development, Test, and Evaluation:									
Department of the Army .....	\$212,114	.....	\$212,114	\$2,342,208	.....	\$2,342,208	\$2,069,189	.....	\$2,069,189
Department of the Navy .....	320,954	.....	320,954	3,824,871	.....	3,824,871	3,480,513	.....	3,480,513
Department of the Air Force .....	315,374	.....	315,374	3,626,026	.....	3,626,026	3,618,473	.....	3,618,473
Defense agencies .....	61,128	.....	61,128	714,859	.....	714,859	626,991	.....	626,991
Total--Research, Development, Test, and Evaluation .....	909,570	.....	909,570	10,507,964	.....	10,507,964	9,795,166	.....	9,795,166
Military Construction:									
Department of the Army .....	62,669	.....	62,669	737,194	.....	737,194	754,774	.....	754,774
Department of the Navy .....	60,383	.....	60,383	634,045	.....	634,045	691,929	.....	691,929
Department of the Air Force .....	62,106	.....	62,106	537,152	.....	537,152	443,555	.....	443,555
Defense agencies .....	2,439	.....	2,439	23,113	.....	23,113	23,547	.....	23,547
Total--Military Construction .....	187,597	.....	187,597	1,931,504	.....	1,931,504	1,913,804	.....	1,913,804
Family Housing .....	137,503	-\$3	137,506	1,407,960	\$3,187	1,404,773	1,360,566	\$2,700	1,357,866
Civil Defense .....	7,629	.....	7,629	81,786	.....	81,786	92,728	.....	92,728
Special Foreign Currency Program .....	4	.....	4	2,355	.....	2,355	2,856	.....	2,856
Revolving and Management Funds:									
Public enterprise funds .....	184	137	47	1,622	2,216	-593	1,563	2,110	-547
Intragovernmental funds:									
Department of the Army .....	-91,016	.....	-91,016	-180,858	.....	-180,858	15,336	.....	15,336
Department of the Navy .....	-89,825	.....	-89,825	-61,302	.....	-61,302	98,262	.....	98,262
Department of the Air Force .....	12,368	.....	12,368	69,718	.....	69,718	165,511	.....	165,511
Defense agencies .....	-157,172	.....	-157,172	-255,584	.....	-255,584	-253,079	.....	-253,079
Total--Revolving and Management Funds .....	-325,461	137	-325,598	-426,403	2,216	-428,619	27,594	2,110	25,484
Miscellaneous trust funds .....	11,730	9,356	2,374	147,377	163,431	-16,054	123,422	175,647	-52,224
Proprietary receipts from the public .....	.....	-44,936	44,936	.....	149,118	-149,118	.....	173,471	-173,471
Intrabudgetary transactions .....	-17,395	.....	-17,395	-11,050	.....	-11,050	-9,092	.....	-9,092
Total--Department of Defense--Military .....	8,775,487	-35,447	8,810,934	103,441,838	317,951	103,123,887	96,004,080	353,928	95,650,152
Department of Defense--Civil:									
Corps of Engineers:									
Intragovernmental funds .....	-52,956	.....	-52,956	-6,634	.....	-6,634	-68,460	.....	-68,460
General investigations .....	14,081	.....	14,081	96,145	.....	96,145	69,818	.....	69,818
Construction, general .....	224,720	.....	224,720	1,428,768	.....	1,428,768	1,320,708	.....	1,320,708
Operations and maintenance, general .....	105,085	.....	105,085	757,278	.....	757,278	638,826	.....	638,826
Flood control .....	37,398	.....	37,398	230,341	.....	230,341	260,930	.....	260,930
Other .....	13,374	.....	13,374	105,727	.....	105,727	88,309	.....	88,309
Proprietary receipts from the public .....	.....	3,098	-3,098	.....	57,827	-57,827	.....	47,207	-47,207
Total--Corps of Engineers .....	341,702	3,098	338,604	2,611,625	57,827	2,553,798	2,310,130	47,207	2,262,923
The Panama Canal:									
Canal Zone Government .....	11,073	3,950	7,123	71,155	46,372	24,784	65,494	48,474	17,020
Panama Canal Company .....	23,743	25,056	-1,313	301,273	324,887	-23,613	281,430	282,416	-986
Other .....	1,865	29	1,836	22,212	276	21,935	21,569	276	21,293
Proprietary receipts from the public .....	.....	295	-295	.....	3,275	-3,275	.....	2,481	-2,481
Intrabudgetary transactions .....	-3,113	.....	-3,113	-20,431	.....	-20,431	-17,771	.....	-17,771
Total--Department of Defense--Civil .....	375,270	32,427	342,843	2,985,835	432,637	2,553,198	2,660,852	380,854	2,279,998

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

Classification of OUTLAYS--Continued	This Month			Current Fiscal Year to Date			Comparable Period Prior Fiscal Year		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Department of Energy: <sup>7</sup>									
Departmental Operations:									
Atomic energy defense activities .....	\$204,655	.....	\$204,655	\$2,070,294	.....	\$2,070,294	\$1,712,003	.....	\$1,712,003
General science and research .....	42,008	.....	42,008	355,276	.....	355,276	168,873	.....	168,873
Energy activities .....	765,630	.....	765,630	4,267,057	.....	4,267,057	3,430,050	.....	3,430,050
Other .....	3,724	.....	3,724	11,821	.....	11,821	1,382	.....	1,382
Power Marketing Administrations .....	64,524	\$17,994	46,529	410,882	\$245,198	165,684	310,047	\$298,859	11,188
Proprietary receipts from the public .....	.....	170,814	-170,814	.....	440,387	-440,387	.....	71,941	-71,941
Total--Department of Energy .....	1,080,542	188,808	891,733	7,115,331	685,585	6,429,746	5,622,354	370,800	5,251,555
Department of Health, Education, and Welfare:									
Public Health Service:									
Food and Drug Administration .....	18,687	549	18,139	283,407	7,439	275,968	251,973	6,958	245,015
Health Services Administration:									
Health services .....	84,908	.....	84,908	1,078,694	.....	1,078,694	1,028,970	.....	1,028,970
Indian health services and facilities .....	44,083	.....	44,083	467,232	.....	467,232	395,321	.....	395,321
Emergency health .....	-2	.....	-2	-9	.....	-9	8	.....	8
Center for Disease Control .....	10,062	.....	10,062	187,982	.....	187,982	244,647	.....	244,647
National Institutes of Health:									
Intragovernmental funds .....	11,590	.....	11,590	-517	.....	-517	1,890	.....	1,890
Cancer Research .....	66,053	.....	66,053	880,517	.....	880,517	796,558	.....	796,558
Heart, Lung, and Blood Research .....	29,951	.....	29,951	393,993	.....	393,993	350,357	.....	350,357
Arthritis, Metabolism, and Digestive Diseases .....	3,728	.....	3,728	223,029	.....	223,029	186,751	.....	186,751
Neurological and Communicative Disorders and Stroke .....	15,727	.....	15,727	175,092	.....	175,092	147,305	.....	147,305
Allergy and Infectious Diseases .....	13,745	.....	13,745	158,379	.....	158,379	132,636	.....	132,636
General Medical Sciences .....	21,126	.....	21,126	215,225	.....	215,225	163,153	.....	163,153
Child Health and Human Development .....	27,982	.....	27,982	166,715	.....	166,715	129,841	.....	129,841
Other research institutes .....	23,221	.....	23,221	225,734	.....	225,734	161,161	.....	161,161
Research resources .....	10,792	.....	10,792	129,883	.....	129,883	113,618	.....	113,618
Other .....	3,393	.....	3,393	107,653	.....	107,653	67,772	.....	67,772
Total--National Institutes of Health .....	227,308	.....	227,308	2,675,703	.....	2,675,703	2,253,040	.....	2,253,040
Alcohol, Drug Abuse, and Mental Health Administration .....	74,984	.....	74,984	1,006,067	.....	1,006,067	854,056	.....	854,056
Health Resources Administration:									
Public enterprise funds .....	3,710	674	3,036	53,353	22,111	31,241	66,504	38,127	28,377
Health resources .....	56,113	.....	56,113	918,467	.....	918,467	1,238,856	.....	1,238,856
Office of Assistant Secretary for Health .....	4,074	.....	4,074	116,181	.....	116,181	62,453	.....	62,453
Total--Public Health Service .....	523,928	1,223	522,705	6,787,077	29,551	6,757,527	6,395,829	45,085	6,350,744
Health Care Financing Administration:									
Intragovernmental funds .....	200	.....	200	695	.....	695	-465	.....	-465
Grants to States for Medicaid .....	810,650	.....	810,650	10,679,881	.....	10,679,881	9,875,829	.....	9,875,829
Payments to health care trust funds .....	449,322	.....	449,322	7,242,941	.....	7,242,941	.....	.....	.....
Quality care management, research, and administration .....	3,373	.....	3,373	58,544	.....	58,544	.....	.....	.....
Other .....	-16,222	.....	-16,222	-6,899	.....	-6,899	63,840	.....	63,840
Federal hospital insurance trust fund:									
Benefit payments .....	1,390,602	.....	1,390,602	17,415,132	.....	17,415,132	14,912,370	.....	14,912,370
Administrative expenses and construction .....	54,784	.....	54,784	446,545	.....	446,545	294,779	.....	294,779
Total--FHI trust fund .....	1,445,386	.....	1,445,386	17,861,676	.....	17,861,676	15,207,149	.....	15,207,149
Federal supplementary medical ins. trust fund:									
Benefit payments .....	610,202	.....	610,202	6,852,252	.....	6,852,252	5,866,922	.....	5,866,922
Administrative expenses and construction .....	49,017	.....	49,017	504,240	.....	504,240	474,744	.....	474,744
Total--FSMI trust fund .....	659,219	.....	659,219	7,356,491	.....	7,356,491	6,341,666	.....	6,341,666
Total--Health Care Financing Administration .....	3,351,927	.....	3,351,927	43,193,329	.....	43,193,329	31,488,019	.....	31,488,019

See footnotes on page 3.

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

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Classification of OUTLAYS--Continued	This Month			Current Fiscal Year to Date			Comparable Period Prior Fiscal Year		
	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 .....	\$48,710	\$3,152	\$45,558	\$577,838	\$32,141	\$545,697	\$164,111	\$21,500	\$142,611
Higher education facilities loan and insurance fund .....	22,443	834	21,609	55,540	26,467	29,074	11,707	24,454	-12,747
Elementary and secondary education .....	277,014	.....	277,014	2,814,994	.....	2,814,994	2,352,472	.....	2,352,472
Indian education .....	4,961	.....	4,961	58,697	.....	58,697	48,090	.....	48,090
School assistance in federally affected areas .....	26,480	.....	26,480	766,349	.....	766,349	764,628	.....	764,628
Emergency school aid .....	14,582	.....	14,582	231,699	.....	231,699	241,117	.....	241,117
Education for the handicapped .....	31,515	.....	31,515	327,032	.....	327,032	248,688	.....	248,688
Occupational, vocational, and adult education .....	41,860	.....	41,860	692,967	.....	692,967	692,933	.....	692,933
Student assistance, higher and continued education .....	361,558	.....	361,558	2,809,694	.....	2,809,694	2,877,324	.....	2,877,324
Library resources .....	13,488	.....	13,488	208,989	.....	208,989	169,378	.....	169,378
Salaries and expenses .....	8,423	.....	8,423	129,513	.....	129,513	117,960	.....	117,960
Other .....	20,993	.....	20,993	59,638	.....	59,638	49,006	.....	49,006
Total--Office of Education .....	872,026	3,985	868,041	8,732,950	58,608	8,674,343	7,737,415	45,954	7,691,461
National Institute of Education .....	5,704	.....	5,704	64,293	.....	64,293	63,992	.....	63,992
Office of the Assistant Secretary for Education .....	2,843	.....	2,843	24,983	.....	24,983	28,027	.....	28,027
Total--Education Division .....	880,573	3,985	876,588	8,822,226	58,608	8,763,619	7,829,433	45,954	7,783,479
Social Security Administration:									
Payments to social security trust funds .....	.....	.....	.....	740,930	.....	740,930	6,713,859	.....	6,713,859
Special benefits for disabled coal miners .....	80,826	.....	80,826	982,230	.....	982,230	956,025	.....	956,025
Supplemental security income program .....	879,487	.....	879,487	5,854,560	.....	5,854,560	5,297,173	.....	5,297,173
Assistance payments program .....	570,309	.....	570,309	6,639,462	.....	6,639,462	6,350,596	.....	6,350,596
Refugee assistance .....	30,799	.....	30,799	142,861	.....	142,861	172,379	.....	172,379
Other .....	.....	.....	.....	24	.....	24	.....	.....	.....
Federal old-age and survivors insurance trust fund:									
Benefit payments .....	6,914,826	.....	6,914,826	78,524,092	.....	78,524,092	71,270,510	.....	71,270,510
Administrative expenses and construction .....	83,632	.....	83,632	1,086,238	.....	1,086,238	992,743	.....	992,743
Payment to railroad retirement account .....	.....	.....	.....	1,588,664	.....	1,588,664	1,207,841	.....	1,207,841
Vocational rehabilitation services .....	1,158	.....	1,158	6,461	.....	6,461	7,502	.....	7,502
Total--FOASI trust fund .....	6,999,616	.....	6,999,616	81,205,455	.....	81,205,455	73,478,596	.....	73,478,596
Federal disability insurance trust fund:									
Benefit payments .....	1,076,304	.....	1,076,304	12,213,895	.....	12,213,895	11,135,231	.....	11,135,231
Administrative expenses and construction .....	8,326	.....	8,326	327,254	.....	327,254	377,673	.....	377,673
Payment to railroad retirement account .....	.....	.....	.....	29,797	.....	29,797	-318	.....	-318
Vocational rehabilitation services .....	12,843	.....	12,843	84,339	.....	84,339	77,144	.....	77,144
Total--FDI trust fund .....	1,097,474	.....	1,097,474	12,655,285	.....	12,655,285	11,589,730	.....	11,589,730
Total--Social Security Administration .....	9,658,510	.....	9,658,510	108,220,807	.....	108,220,807	104,558,358	.....	104,558,358
Special Institutions:									
American Printing House for the Blind .....	291	.....	291	3,498	.....	3,498	2,986	.....	2,986
National Technical Institute for the Deaf .....	1,309	.....	1,309	14,783	.....	14,783	12,671	.....	12,671
Gallaudet College .....	3,325	.....	3,325	35,852	.....	35,852	36,893	.....	36,893
Howard University .....	10,366	.....	10,366	97,659	.....	97,659	101,936	.....	101,936
Total--Special Institutions .....	15,291	.....	15,291	151,791	.....	151,791	154,487	.....	154,487

**TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)**

Classification of OUTLAYS--Continued	This Month			Current Fiscal Year to Date			Comparable Period Prior Fiscal Year		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Department of Health, Education and Welfare--Continued									
Human Development Services:									
Grants to states for social services .....	\$231,647	.....	\$231,647	\$2,808,723	.....	\$2,808,723	\$2,550,684	.....	\$2,550,684
Human development services .....	176,847	.....	176,847	2,077,621	.....	2,077,621	1,868,832	.....	1,868,832
Work incentives .....	32,129	.....	32,129	364,099	.....	364,099	360,537	.....	360,537
Research and training activities overseas .....	85	.....	85	1,821	.....	1,821	3,458	.....	3,458
Total--Human Development Services.....	440,708	.....	440,708	5,252,264	.....	5,252,264	4,783,511	.....	4,783,511
Departmental Management:									
Intragovernmental funds .....	2,768	.....	2,768	6,045	.....	6,045	148,241	.....	148,241
General departmental management.....	2,417	.....	2,417	80,752	.....	80,752	102,366	.....	102,366
Office for Civil Rights.....	5,894	.....	5,894	36,494	.....	36,494	24,153	.....	24,153
Other.....	2,987	.....	2,987	50,913	.....	50,913	22,786	.....	22,786
Proprietary receipts from the public .....	.....	\$6,271	-6,271	.....	\$35,073	-35,073	.....	\$32,024	-32,024
Intrabudgetary transactions:									
Payments for health insurance for the aged:									
Federal hospital insurance trust fund .....	.....	.....	.....	-716,941	.....	-716,941	-803,000	.....	-803,000
Federal supplementary medical insurance trust fund .....	-449,322	.....	-449,322	-6,385,503	.....	-6,385,503	-5,052,944	.....	-5,052,944
Payments for military service credits and special benefits for the aged:									
Federal old-age and survivors insurance trust fund .....	.....	.....	.....	-612,927	.....	-612,927	-613,902	.....	-613,902
Federal disability insurance trust fund .....	.....	.....	.....	-128,003	.....	-128,003	-103,000	.....	-103,000
Federal hospital insurance trust fund .....	.....	.....	.....	-142,997	.....	-142,997	-141,000	.....	-141,000
Receipts transferred to railroad retirement account ..	.....	.....	.....	-1,618,461	.....	-1,618,461	-1,207,523	.....	-1,207,523
Interest on reimbursement of administrative and vocational rehabilitation expenses:									
Federal old-age and survivors insurance trust fund ..	.....	.....	.....	1,794	.....	1,794	3,224	.....	3,224
Federal disability insurance trust fund .....	.....	.....	.....	-2,098	.....	-2,098	2,267	.....	2,267
Federal hospital insurance trust fund .....	.....	.....	.....	88	.....	88	-1,041	.....	-1,041
Federal supplementary medical insurance trust fund ..	.....	.....	.....	217	.....	217	-4,451	.....	-4,451
Other.....	-22,325	.....	-22,325	-64,205	.....	-64,205	-7,318	.....	-7,318
Total--Department of Health, Educ. & Welfare .....	14,413,356	11,479	14,401,877	162,932,662	123,232	162,809,430	147,578,499	123,064	147,455,436
Department of Housing and Urban Development:									
Housing Programs:									
Public enterprise funds:									
Federal Housing Administration fund .....	128,391	135,234	-6,843	1,728,780	1,372,015	356,764	1,903,500	1,411,116	492,384
Housing for the elderly or handicapped fund <sup>8</sup> .....	36,898	2,151	34,747	200,144	23,778	176,366	26,815	21,687	5,128
College housing--loans and other expenses .....	3,349	7,872	-4,523	104,836	166,094	-61,259	101,226	165,992	-64,766
Other.....	17,002	29,123	-12,121	250,634	242,804	7,830	331,667	334,994	-3,326
Disaster assistance fund.....	-98,261	.....	-98,261	-33,717	.....	-33,717	36,928	.....	36,928
Subsidized housing programs.....	222,700	.....	222,700	2,920,223	.....	2,920,223	2,442,883	.....	2,442,883
Payments for operation of low income housing projects .....	69,912	.....	69,912	691,329	.....	691,329	505,768	.....	505,768
Total--Housing Programs .....	379,990	174,380	205,610	5,862,228	1,804,691	4,057,536	5,348,788	1,933,789	3,415,000
Government National Mortgage Association:									
Special assistance functions fund .....	13,119	28,278	-15,159	734,249	788,877	-54,629	1,452,181	2,481,375	-1,029,193
Emergency mortgage purchase assistance.....	140,413	27,304	113,109	1,118,271	758,493	359,778	.....	.....	.....
Management and liquidating functions fund.....	5,429	9,816	-4,387	72,077	114,715	-42,638	70,148	105,711	-35,562
Guarantees of mortgage-backed securities.....	418	3,598	-3,180	58,323	99,716	-41,393	17,962	39,516	-21,553
Participation sales fund .....	-10,231	.....	-10,231	-20,529	.....	-20,529	-5,134	.....	-5,134
Total--Government National Mortgage Association ..	149,148	68,996	80,152	1,962,389	1,761,802	200,588	1,535,159	2,626,601	-1,091,442

See footnotes on page 3.

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

N

Classification of OUTLAYS--Continued	This Month			Current Fiscal Year to Date			Comparable Period Prior Fiscal Year		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Department of Housing and Urban Development--Continued									
Community Planning and Development:									
Public enterprise funds:									
Rehabilitation loan fund.....	\$9,243	\$3,394	\$5,849	\$84,187	\$37,011	\$47,176	\$70,273	\$29,241	\$41,032
Urban renewal programs.....	54,793	29,249	25,544	543,933	168,255	375,678	1,119,371	269,100	850,271
Community development grants.....	206,889	.....	206,889	2,464,267	.....	2,464,267	2,088,813	.....	2,088,813
Comprehensive planning grants.....	4,686	.....	4,686	67,083	.....	67,083	76,914	.....	76,914
Other.....	917	.....	917	10,750	.....	10,750	18,684	.....	18,684
Total--Community Planning and Development.....	276,528	32,644	243,885	3,170,220	205,266	2,964,954	3,374,055	298,341	3,075,714
New Communities Administration.....	749	495	254	106,698	8,221	98,477	89,229	395	88,834
Federal Insurance Administration.....	27,689	10,184	17,506	274,909	110,775	164,134	113,833	14,155	99,678
Neighborhoods, Voluntary Associations, and Consumer Protection.....	637	.....	637	5,118	.....	5,118	382	.....	382
Policy Development and Research.....	1,983	.....	1,983	50,834	.....	50,834	62,593	.....	62,593
Management and Administration.....	-6,531	.....	-6,531	222,956	.....	222,956	188,303	.....	188,303
Proprietary receipts from the public.....	.....	228	-228	.....	3,653	-3,653	.....	1,503	-1,503
Total--Department of Housing and Urban Development.....	830,194	286,927	543,268	11,655,352	3,894,408	7,760,944	10,712,342	4,874,785	5,837,557
Department of the Interior:									
Land and Water Resources:									
Bureau of Land Management:									
Management of lands and resources.....	27,894	.....	27,894	274,808	.....	274,808	302,935	.....	302,935
Payments in lieu of taxes.....	97,554	.....	97,554	97,608	.....	97,608	99,983	.....	99,983
Payments to states from receipts under Mineral Leasing Act.....	.....	.....	.....	175,133	.....	175,133	105,130	.....	105,130
Other.....	10,517	.....	10,517	192,314	.....	192,314	95,962	.....	95,962
Bureau of Reclamation:									
Colorado River projects.....	31,157	10,261	20,896	196,974	68,631	128,344	165,353	51,265	114,088
Construction and rehabilitation.....	36,687	.....	36,687	323,735	.....	323,735	468,166	.....	468,166
Operation and maintenance.....	9,043	.....	9,043	79,266	.....	79,266	141,818	.....	141,818
Other.....	15,793	.....	15,793	137,250	.....	137,250	154,163	.....	154,163
Office of Water Research and Technology.....	1,818	.....	1,818	17,620	.....	17,620	14,332	.....	14,332
Total--Land and Water Resources.....	230,463	10,261	220,202	1,494,710	68,631	1,426,079	1,547,843	51,265	1,496,578
Fish and Wildlife and Parks:									
Heritage Conservation and Recreation Service.....	236,845	.....	236,845	656,968	.....	656,968	350,397	.....	350,397
United States Fish and Wildlife Service:									
Resource management.....	12,479	.....	12,479	167,251	.....	167,251	134,758	.....	134,758
Recreational resources.....	6,095	.....	6,095	87,584	.....	87,584	82,644	.....	82,644
Other.....	3,506	.....	3,506	60,769	.....	60,769	35,137	.....	35,137
National Park Service:									
Operation of the national park system.....	31,009	.....	31,009	331,454	.....	331,454	289,947	.....	289,947
Construction.....	9,339	.....	9,339	94,561	.....	94,561	66,322	.....	66,322
Other.....	3,271	.....	3,271	32,539	.....	32,539	51,633	.....	51,633
Total--Fish and Wildlife and Parks.....	302,545	.....	302,545	1,431,125	.....	1,431,125	1,010,837	.....	1,010,837
Energy and Minerals:									
Geological Survey.....	36,495	.....	36,495	501,795	.....	501,795	302,400	.....	302,400
Office of surface Mining Reclamation and Enforcement.....	1,733	.....	1,733	5,412	.....	5,412	(*)	.....	(*)
Mining Enforcement and Safety Administration.....	-1	.....	-1	48,488	.....	48,488	98,088	.....	98,088
Bureau of Mines.....	12,849	2,097	10,752	135,463	14,051	121,412	160,663	10,405	150,258
Total--Energy and Minerals.....	51,077	2,097	48,979	691,157	14,051	677,107	561,151	10,405	550,746

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

Classification of OUTLAYS-- Continued	This Month			Current Fiscal Year to Date			Comparable Period Prior Fiscal Year		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Department of the Interior--Continued									
Bureau of Indian Affairs:									
Public enterprise funds .....	\$760	\$669	\$91	\$13,092	\$6,442	\$6,650	\$12,967	\$4,933	\$8,034
Operation of Indian programs .....	60,750	.....	60,750	643,943	.....	643,943	629,574	.....	629,574
Construction .....	6,818	.....	6,818	165,843	.....	165,843	103,982	.....	103,982
Indian tribal funds .....	63,292	.....	63,292	255,826	.....	255,826	252,243	.....	252,243
Other .....	2,937	.....	2,937	63,120	.....	63,120	70,479	.....	70,479
Total--Bureau of Indian Affairs .....	134,557	669	133,887	1,141,825	6,442	1,135,383	1,069,245	4,933	1,064,312
Office of Territorial Affairs .....	32,107	.....	32,107	176,808	.....	176,808	148,883	.....	148,883
Office of the Solicitor and Office of the Secretary .....	225	.....	225	38,738	.....	38,738	45,218	.....	45,218
Proprietary receipts from the public .....	.....	31,517	-31,517	.....	1,138,024	-1,138,024	.....	1,102,518	-1,102,518
Intrabudgetary transactions .....	-36,351	.....	-36,351	-69,610	.....	-69,610	-61,908	.....	-61,908
Total--Department of the Interior .....	714,622	44,545	670,077	4,904,754	1,227,148	3,677,606	4,321,269	1,169,121	3,152,148
Department of Justice:									
General Administration .....	1,239	.....	1,239	23,444	.....	23,444	20,808	.....	20,808
Legal Activities .....	24,696	.....	24,696	340,344	.....	340,344	316,946	.....	316,946
Federal Bureau of Investigation .....	38,935	.....	38,935	552,001	.....	552,001	520,218	.....	520,218
Immigration and Naturalization Service .....	21,426	.....	21,426	274,681	.....	274,681	242,714	.....	242,714
Drug Enforcement Administration .....	15,302	.....	15,302	177,883	.....	177,883	166,839	.....	166,839
Federal Prison System .....	27,839	981	26,859	324,113	12,088	312,025	252,386	10,633	241,753
Law Enforcement Assistance Administration .....	57,998	.....	57,998	724,075	7	724,068	845,740	.....	845,740
Proprietary receipts from the public .....	.....	95	-95	.....	7,074	-7,074	.....	5,292	-5,292
Total--Department of Justice .....	187,434	1,076	186,358	2,416,541	19,169	2,397,372	2,365,652	15,926	2,349,726
Department of Labor:									
Employment and Training Administration:									
Program administration .....	8,880	.....	8,880	89,299	.....	89,299	76,881	.....	76,881
Employment and training assistance .....	451,991	.....	451,991	4,763,671	.....	4,763,671	3,290,860	.....	3,290,860
Community service employment for older Americans ..	13,824	.....	13,824	134,333	.....	134,333	72,102	.....	72,102
Temporary employment assistance .....	351,752	.....	351,752	4,769,404	.....	4,769,404	2,340,409	.....	2,340,409
Federal unemployment benefits and allowances .....	91,258	.....	91,258	1,165,356	.....	1,165,356	833,089	.....	833,089
Grants to States for unemployment insurance and employment services .....	-41,195	.....	-41,195	46,356	.....	46,356	53,034	.....	53,034
Advances to the unemployment trust fund and other funds .....	239,907	.....	239,907	1,109,907	.....	1,109,907	4,338,118	.....	4,338,118
Other .....	2,682	.....	2,682	-980	.....	-980	10,605	.....	10,605
Unemployment trust fund:									
Federal--State unemployment insurance:									
State unemployment benefits .....	516,638	.....	516,638	9,368,307	.....	9,368,307	12,338,972	.....	12,338,972
Grants to States for unemployment insurance and employment services .....	169,076	.....	169,076	1,521,606	.....	1,521,606	1,514,841	.....	1,514,841
Federal administrative expenses .....	3,003	.....	3,003	67,306	.....	67,306	55,827	.....	55,827
Interest on refunds of taxes .....	84	.....	84	1,061	.....	1,061	919	.....	919
Railroad--unemployment insurance:									
Railroad unemployment benefits .....	20,033	.....	20,033	197,370	.....	197,370	179,691	.....	179,691
Administrative expenses .....	1,290	.....	1,290	10,710	.....	10,710	9,320	.....	9,320
Payment of interest on advances from railroad retirement account .....	1,689	.....	1,689	2,767	.....	2,767	3,388	.....	3,388
Total--Unemployment trust fund .....	711,811	.....	711,811	11,169,128	.....	11,169,128	14,102,958	.....	14,102,958
Total--Employment and Training Administration .....	1,830,910	.....	1,830,910	23,246,473	.....	23,246,473	25,118,056	.....	25,118,056

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

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Classification of OUTLAYS--Continued	This Month			Current Fiscal Year to Date			Comparable Period Prior Fiscal Year		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Department of Labor--Continued									
Labor-Management Services Administration.....	\$4,880	.....	\$4,880	\$54,392	.....	\$54,392	\$47,207	.....	\$47,207
Employment Standards Administration:									
Salaries and expenses.....	4,633	.....	4,633	107,226	.....	107,226	97,937	.....	97,937
Special benefits.....	40,871	.....	40,871	191,469	.....	191,469	297,695	.....	297,695
Special workers compensation expenses.....	351	.....	351	4,998	.....	4,998	3,581	.....	3,581
Black Lung disability trust fund: <sup>6</sup>									
Benefit payments.....	3,398	.....	3,398	3,014	.....	3,014	.....	.....	.....
Administrative expenses.....	8,261	.....	8,261	8,261	.....	8,261	.....	.....	.....
Other.....	102,124	.....	102,124	100,868	.....	100,868	.....	.....	.....
Total--Black Lung disability trust fund.....	113,783	.....	113,783	112,143	.....	112,143	.....	.....	.....
Occupational Safety and Health Administration.....	14,870	.....	14,870	147,380	.....	147,380	127,400	.....	127,400
Mine Safety and Health Administration <sup>9</sup> .....	9,580	.....	9,580	60,688	.....	60,688	.....	.....	.....
Bureau of Labor Statistics.....	5,858	.....	5,858	79,809	.....	79,809	75,843	.....	75,843
Departmental Management.....	9,621	.....	9,621	57,934	.....	57,934	48,845	.....	48,845
Proprietary receipts from the public.....	.....	-\$987	987	.....	\$7,210	-7,210	.....	\$414	-414
Intrabudgetary transactions.....	-308,258	.....	-308,258	-1,153,258	.....	-1,153,258	-3,442,095	.....	-3,442,095
Total--Department of Labor.....	1,727,097	-987	1,728,084	22,909,253	7,210	22,902,044	22,374,470	414	22,374,056
Department of State:									
Administration of Foreign Affairs:									
Salaries and expenses.....	55,112	.....	55,112	655,217	.....	655,217	543,353	.....	543,353
Acquisition, operation and maintenance of buildings abroad.....	4,375	.....	4,375	57,283	.....	57,283	39,471	.....	39,471
Payment to Foreign Service retirement and disability fund.....	80,808	.....	80,808	107,407	.....	107,407	93,649	.....	93,649
Foreign Service retirement and disability fund.....	8,547	.....	8,547	93,683	.....	93,683	83,843	.....	83,843
Other.....	-1,101	.....	-1,101	4,473	.....	4,473	4,672	.....	4,672
Total--Administration of Foreign Affairs.....	147,741	.....	147,741	918,063	.....	918,063	764,988	.....	764,988
International Organizations and Conferences.....	4,382	.....	4,382	381,670	.....	381,670	367,698	.....	367,698
International Commissions.....	2,650	.....	2,650	21,274	.....	21,274	16,005	.....	16,005
Other.....	8,114	.....	8,114	77,154	.....	77,154	61,110	.....	61,110
Proprietary receipts from the public.....	.....	5,489	-5,489	.....	14,026	-14,026	.....	18,165	-18,165
Intrabudgetary transactions:									
Foreign Service retirement and disability fund:									
Receipts transferred to Civil Service retirement and disability fund.....	-20	.....	-20	-453	.....	-453	-248	.....	-248
General fund contributions.....	-83,578	.....	-83,578	-131,627	.....	-131,627	-114,899	.....	-114,899
Other.....	-86	.....	-86	-519	.....	-519	-519	.....	-519
Total--Department of State.....	79,202	5,489	73,713	1,265,562	14,026	1,251,536	1,094,135	18,165	1,075,969
Department of Transportation:									
Office of the Secretary.....	6,269	.....	6,269	41,855	.....	41,855	62,393	.....	62,393
Coast Guard:									
Intragovernmental funds.....	323	.....	323	15,699	.....	15,699	-20,048	.....	-20,048
Operating expenses.....	75,704	.....	75,704	897,803	.....	897,803	827,675	.....	827,675
Acquisition, construction, and improvements.....	6,385	.....	6,385	131,650	.....	131,650	131,581	.....	131,581
Retired pay.....	14,219	.....	14,219	156,465	.....	156,465	139,516	.....	139,516
Other.....	9,448	338	9,110	87,111	4,666	82,444	85,152	5,087	80,065
Total--Coast Guard.....	106,080	338	105,741	1,288,728	4,666	1,284,062	1,163,876	5,087	1,158,788

See footnotes on page 3.

**TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)**

Classification of OUTLAYS--Continued	This Month			Current Fiscal Year to Date			Comparable Period Prior Fiscal Year		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
<b>Department of Transportation--Continued</b>									
<b>Federal Aviation Administration:</b>									
Aviation war risk insurance revolving fund .....	\$4	\$1	\$2	-\$1,144	\$16	-\$1,160	-\$891	\$6	-\$897
Operations .....	39,351	.....	39,351	1,622,319	.....	1,622,319	1,475,819	.....	1,475,819
Other .....	3,847	.....	3,847	41,422	.....	41,422	41,325	.....	41,325
<b>Airport and airway trust fund:</b>									
Grants-in-aid for airports .....	61,757	.....	61,757	562,156	.....	562,156	334,823	.....	334,823
Facilities and equipment .....	19,112	.....	19,112	211,002	.....	211,002	197,109	.....	197,109
Research, engineering and development .....	4,004	.....	4,004	67,127	.....	67,127	70,487	.....	70,487
Interest on refunds of taxes .....	.....	.....	.....	35	.....	35	15	.....	15
Operations .....	137,305	.....	137,305	275,041	.....	275,041	250,230	.....	250,230
<b>Total--Airport and airway trust fund .....</b>	<b>222,177</b>	<b>.....</b>	<b>222,177</b>	<b>1,115,361</b>	<b>.....</b>	<b>1,115,361</b>	<b>852,664</b>	<b>.....</b>	<b>852,664</b>
<b>Total--Federal Aviation Administration .....</b>	<b>265,380</b>	<b>1</b>	<b>265,379</b>	<b>2,777,957</b>	<b>16</b>	<b>2,777,941</b>	<b>2,368,918</b>	<b>6</b>	<b>2,368,912</b>
<b>Federal Highway Administration:</b>									
<b>Highway trust fund:</b>									
Federal-aid highways .....	674,489	.....	674,489	5,876,289	.....	5,876,289	5,972,946	.....	5,972,946
Right-of-way revolving fund .....	-10,484	.....	-10,484	-16,884	.....	-16,884	9,176	.....	9,176
Other .....	4,263	.....	4,263	43,286	.....	43,286	38,315	.....	38,315
Off-systems roads programs .....	6,123	.....	6,123	82,262	.....	82,262	58,056	.....	58,056
Other programs .....	12,064	.....	12,064	90,945	.....	90,945	66,550	.....	66,550
<b>Total--Federal Highway Administration .....</b>	<b>686,455</b>	<b>.....</b>	<b>686,455</b>	<b>6,075,898</b>	<b>.....</b>	<b>6,075,898</b>	<b>6,145,043</b>	<b>.....</b>	<b>6,145,043</b>
<b>National Highway Traffic Safety Administration:</b>									
Traffic and highway safety .....	4,855	.....	4,855	61,552	.....	61,552	42,256	.....	42,256
Trust fund share of traffic safety programs .....	.....	.....	.....	143,700	.....	143,700	124,900	.....	124,900
Other .....	12,135	.....	12,135	5,101	.....	5,101	1,403	.....	1,403
<b>Federal Railroad Administration:</b>									
Railroad rehabilitation and improvement financing funds .....	10,840	.....	10,840	66,247	.....	66,247	12,044	.....	12,044
Railroad research and development .....	5,877	.....	5,877	62,381	.....	62,381	57,274	.....	57,274
Rail service assistance .....	4,398	.....	4,398	-4,601	.....	-4,601	29,402	.....	29,402
Northeast corridor improvement program .....	20,029	.....	20,029	203,830	.....	203,830	82,492	.....	82,492
Grants to National Railroad Passenger Corporation ..	51,500	.....	51,500	716,000	.....	716,000	730,062	.....	730,062
Other .....	6,407	4,309	2,098	74,698	43,071	31,627	80,339	50,662	29,677
<b>Total--Federal Railroad Administration .....</b>	<b>99,050</b>	<b>4,309</b>	<b>94,741</b>	<b>1,118,556</b>	<b>43,071</b>	<b>1,075,485</b>	<b>991,612</b>	<b>50,662</b>	<b>940,950</b>
<b>Urban Mass Transportation Administration .....</b>	<b>157,623</b>	<b>.....</b>	<b>157,623</b>	<b>2,027,529</b>	<b>.....</b>	<b>2,027,529</b>	<b>1,712,091</b>	<b>3,181</b>	<b>1,708,910</b>
Other .....	2,258	1,569	689	8,888	10,727	-1,838	7,418	8,332	-914
Proprietary receipts from the public .....	.....	2,144	-2,144	.....	39,493	-39,493	.....	38,656	-38,656
<b>Total--Department of Transportation .....</b>	<b>1,340,104</b>	<b>8,362</b>	<b>1,331,742</b>	<b>13,549,765</b>	<b>97,973</b>	<b>13,451,792</b>	<b>12,619,909</b>	<b>105,925</b>	<b>12,513,984</b>
<b>Department of the Treasury:</b>									
<b>Office of the Secretary .....</b>	<b>1,514</b>	<b>.....</b>	<b>1,514</b>	<b>26,278</b>	<b>264</b>	<b>26,013</b>	<b>36,174</b>	<b>210</b>	<b>35,964</b>
<b>Office of Revenue Sharing:</b>									
Salaries and expenses .....	678	.....	678	6,802	.....	6,802	4,200	.....	4,200
Antirecession financial assistance fund .....	28	.....	28	1,329,476	.....	1,329,476	1,698,824	.....	1,698,824
General Revenue Sharing .....	305	.....	305	6,822,957	.....	6,822,957	6,760,092	.....	6,760,092
Federal Law Enforcement Training Center .....	1,789	.....	1,789	17,451	.....	17,451	15,021	.....	15,021
<b>Bureau of Government Financial Operations:</b>									
Salaries and expenses .....	10,783	.....	10,783	141,051	.....	141,051	144,664	.....	144,664
New York City seasonal financing fund .....	395	.....	395	1,617	.....	1,617	1,025,626	1,025,000	626
Claims, judgements, and relief acts .....	16,217	.....	16,217	198,306	.....	198,306	153,278	.....	153,278
Other .....	2,166	.....	2,166	11,689	.....	11,689	12,043	.....	12,043
<b>Total--Bureau of Government Financial Operations .....</b>	<b>29,562</b>	<b>.....</b>	<b>29,562</b>	<b>352,664</b>	<b>.....</b>	<b>352,664</b>	<b>1,335,611</b>	<b>1,025,000</b>	<b>310,611</b>

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

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Classification of OUTLAYS--Continued	This Month			Current Fiscal Year to Date			Comparable Period Prior Fiscal Year		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Department of the Treasury--Continued									
Bureau of Alcohol, Tobacco and Firearms.....	\$10,898	.....	\$10,898	\$128,110	.....	\$128,110	\$117,391	.....	\$117,391
United States Customs Service.....	54,908	.....	54,908	634,379	.....	634,379	596,446	.....	596,446
Bureau of Engraving and Printing.....	3,916	.....	3,916	-3,361	.....	-3,361	-3,735	.....	-3,735
Bureau of the Mint.....	4,961	.....	4,961	42,466	.....	42,466	41,765	.....	41,765
Bureau of the Public Debt.....	14,249	.....	14,249	121,508	.....	121,508	108,808	.....	108,808
Internal Revenue Service:									
Federal tax lien revolving fund.....	25	\$111	-86	1,316	\$1,248	68	647	\$609	37
Salaries and expenses.....	4,082	.....	4,082	54,310	.....	54,310	48,930	.....	48,930
Accounts, collection and taxpayer service.....	58,314	.....	58,314	904,115	.....	904,115	857,207	.....	857,207
Compliance.....	71,095	.....	71,095	981,878	.....	981,878	883,872	.....	883,872
Payment where credit exceeds liability for tax.....	4,717	.....	4,717	880,890	.....	880,890	900,882	.....	900,882
Interest on refund of taxes.....	27,449	.....	27,449	316,937	.....	316,937	318,048	.....	318,048
Internal revenue collections for Puerto Rico.....	12,208	.....	12,208	187,568	.....	187,568	157,089	.....	157,089
Total--Internal Revenue Service.....	177,891	111	177,781	3,327,014	1,248	3,325,767	3,166,674	609	3,166,064
United States Secret Service.....	10,516	.....	10,516	129,100	.....	129,100	123,358	.....	123,358
Comptroller of the Currency.....	7,171	167	7,005	90,273	94,699	-4,426	82,067	86,249	-4,182
Interest on the public debt:									
Public issues (accrual basis).....	3,510,712	.....	3,510,712	39,199,117	.....	39,199,117	33,264,604	.....	33,264,604
Special issues (cash basis).....	116,963	.....	116,963	9,495,738	.....	9,495,738	8,635,115	.....	8,635,115
Total--Interest on the public debt.....	3,627,675	.....	3,627,675	48,694,856	.....	48,694,856	41,899,720	.....	41,899,720
Proprietary receipts from the public.....	.....	84,849	-84,849	.....	897,031	-897,031	.....	486,886	-486,886
Receipts from off-budget Federal agencies.....	.....	269,773	-269,773	.....	2,767,670	-2,767,670	.....	2,241,185	-2,241,185
Intrabudgetary transactions.....	-6,596	.....	-6,596	-1,649,915	.....	-1,649,915	-1,681,212	.....	-1,681,212
Total--Department of the Treasury.....	3,939,466	354,899	3,584,567	60,070,058	3,760,913	56,309,145	54,301,203	3,840,139	50,461,064
Environmental Protection Agency:									
Agency and regional management.....	2,741	.....	2,741	71,089	.....	71,089	72,675	.....	72,675
Research and development:									
Energy supply.....	20,858	.....	20,858	250,514	.....	250,514	172,314	.....	172,314
Pollution control and abatement.....	1,030	.....	1,030	31,400	.....	31,400	86,752	.....	86,752
Abatement and control.....	40,840	.....	40,840	459,614	.....	459,614	435,884	.....	435,884
Enforcement.....	1,969	.....	1,969	64,842	.....	64,842	53,527	.....	53,527
Construction grants.....	362,405	.....	362,405	3,186,825	.....	3,186,825	3,529,577	.....	3,529,577
Other.....	957	91	866	8,132	435	7,697	14,982	586	14,396
Proprietary receipts from the public.....	.....	44	-44	.....	509	-509	.....	317	-317
Total--Environmental Protection Agency.....	430,801	135	430,666	4,072,416	944	4,071,472	4,365,711	903	4,364,808
General Services Administration:									
Real Property Activities.....	106,899	.....	106,899	-160,741	.....	-160,741	-122,485	.....	-122,485
Personal Property Activities.....	-20,112	.....	-20,112	196,531	.....	196,531	102,613	.....	102,613
Records Activities.....	4,759	599	4,160	79,105	6,421	72,684	70,258	4,485	65,773
Preparedness Activities.....	3,060	.....	3,060	34,464	.....	34,464	17,171	11	17,161
General Activities.....	8,108	6	8,102	99,804	752	99,052	84,313	789	83,525
Other.....	7,208	.....	7,208	14,740	.....	14,740	13,021	.....	13,021
Proprietary receipts from the public:									
Stockpile receipts.....	.....	15,956	-15,956	.....	89,811	-89,811	.....	148,413	-148,413
Other.....	.....	759	-759	.....	48,038	-48,038	.....	41,295	-41,295
Intrabudgetary transactions.....	-209	.....	-209	-1,839	.....	-1,839	-999	.....	-999
Total--General Services Administration.....	109,713	17,320	92,393	262,064	145,021	117,043	163,892	194,992	-31,100

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

Classification of OUTLAYS--Continued	This Month			Current Fiscal Year to Date			Comparable Period Prior Fiscal Year		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
National Aeronautics and Space Administration:									
Research and development.....	\$249,038	.....	\$249,038	\$2,988,697	.....	\$2,988,697	\$2,980,863	.....	\$2,980,863
Construction of facilities .....	9,968	.....	9,968	124,258	.....	124,258	104,970	.....	104,970
Research and program management.....	84,431	.....	84,431	870,164	.....	870,164	859,678	.....	859,678
Other.....	12	.....	12	558	.....	558	1,357	.....	1,357
Proprietary receipts from the public.....	.....	-\$143	143	.....	\$3,655	-3,655	.....	\$2,850	-2,850
Total--National Aeronautics and Space Administration .....	343,449	-143	343,592	3,983,677	3,655	3,980,022	3,946,667	2,850	3,943,817
Veterans Administration:									
Public enterprise funds:									
Loan guaranty revolving fund.....	36,326	20,778	15,548	525,860	445,624	80,236	543,610	542,949	660
Direct loan revolving fund .....	7,234	10,800	-3,567	99,408	138,398	-38,990	126,367	265,091	-138,723
Veterans reopened insurance fund .....	2,466	1,731	735	23,021	51,645	-28,624	22,261	49,488	-27,227
Education loan fund .....	624	38	586	34,868	275	34,593	13,402	81	13,320
Other.....	17,120	19,476	-2,357	273,806	275,101	-1,295	266,983	267,389	-407
Compensation and pensions .....	790,256	.....	790,256	9,572,817	.....	9,572,817	8,999,596	.....	8,999,596
Readjustment benefits .....	169,844	.....	169,844	3,361,716	.....	3,361,716	3,700,004	.....	3,700,004
Medical care .....	388,872	.....	388,872	4,809,318	.....	4,809,318	4,290,617	.....	4,290,617
Medical and prosthetic research.....	9,109	.....	9,109	111,747	.....	111,747	104,460	.....	104,460
General operating expenses .....	39,580	.....	39,580	558,082	.....	558,082	513,472	.....	513,472
Construction projects .....	15,467	.....	15,467	243,262	.....	243,262	233,841	.....	233,841
Insurance funds:									
National service life .....	48,047	.....	48,047	667,762	.....	667,762	697,602	.....	697,602
Government life .....	3,707	.....	3,707	66,973	.....	66,973	71,105	.....	71,105
Veterans special life .....	2,615	3,743	-1,128	32,229	87,244	-55,015	30,269	76,285	-46,016
Other.....	5,507	.....	5,507	98,142	.....	98,142	93,537	.....	93,537
Proprietary receipts from the public:									
National service life .....	.....	36,990	-36,990	.....	476,850	-476,850	.....	478,053	-478,053
Government life .....	.....	86	-86	.....	4,382	-4,382	.....	5,608	-5,608
Other.....	.....	2,943	-2,943	.....	34,866	-34,866	.....	679	-679
Intrabudgetary transactions .....	-156	.....	-156	-2,472	.....	-2,472	-2,148	.....	-2,148
Total--Veterans Administration .....	1,536,618	96,586	1,440,032	20,476,537	1,514,384	18,962,152	19,704,976	1,685,623	18,019,353
Independent Agencies:									
Action .....	14,652	9	14,643	203,329	166	203,164	186,218	-78	186,296
Arms Control and Disarmament Agency .....	1,731	.....	1,731	13,990	.....	13,990	11,863	.....	11,863
Board for International Broadcasting.....	5,657	.....	5,657	65,616	164	65,452	57,837	.....	57,837
Civil Aeronautics Board .....	8,512	3	8,509	101,471	111	101,360	102,830	123	102,707
Civil Service Commission:									
Civil service retirement and disability fund .....	946,106	.....	946,106	10,907,627	.....	10,907,627	9,563,523	.....	9,563,523
Payment to civil service retirement and disability fund .....	7,432,801	.....	7,432,801	7,433,828	.....	7,433,828	7,298,393	.....	7,298,393
Salaries and expenses .....	3,821	.....	3,821	119,610	.....	119,610	100,429	.....	100,429
Government payment for annuitants, employees health benefits .....	89,713	.....	89,713	506,617	.....	506,617	437,034	.....	437,034
Employees health benefits fund .....	237,503	316,364	-78,861	2,958,770	3,043,748	-84,978	2,624,145	2,696,080	-71,935
Employees life insurance fund .....	36,337	61,104	-24,768	429,094	914,303	-485,209	436,530	834,247	-397,717
Retired employees health benefits fund.....	1,361	657	703	14,405	8,806	5,599	13,813	9,311	4,502
Other.....	3,972	.....	3,972	21,999	.....	21,999	12,313	.....	12,313
Proprietary receipts from the public.....	.....	-132	132	.....	1,605	-1,605	.....	1,231	-1,231
Intrabudgetary transactions:									
Civil service retirement and disability fund:									
Receipts transferred to Foreign Service retirement and disability fund.....	-949	.....	-949	-8,544	.....	-8,544	-13,612	.....	-13,612
General fund contributions.....	-7,432,801	.....	-7,432,801	-7,433,828	.....	-7,433,828	-7,298,393	.....	-7,298,393
Other.....	-1,249	.....	-1,249	-18,458	.....	-18,458	-13,187	.....	-13,187
Total--Civil Service Commission.....	1,316,616	377,994	938,622	14,931,120	3,968,461	10,962,658	13,160,987	3,540,868	9,620,119

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

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Classification of OUTLAYS--Continued	This Month			Current Fiscal Year to Date			Comparable Period Prior Fiscal Year		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Independent Agencies--Continued									
Commission on Civil Rights.....	\$769	.....	\$769	\$10,465	.....	\$10,465	\$9,476	.....	\$9,476
Commodity Futures Trading Commission.....	920	\$1	919	14,311	\$6	14,305	13,489	.....	13,489
Community Services Administration.....	43,699	3	43,696	768,216	298	767,919	639,565	\$198	639,367
Consumer Product Safety Commission.....	2,759	-3	2,762	40,063	5	40,059	39,872	5	39,867
Corporation for Public Broadcasting.....	12,050	.....	12,050	119,200	.....	119,200	103,000	.....	103,000
District of Columbia:									
Federal payment.....	.....	.....	.....	304,116	.....	304,116	279,357	.....	279,357
Loans and repayable advances.....	15,000	26,000	-11,000	110,832	43,979	66,852	120,832	84,472	36,360
Equal Employment Opportunity Commission.....	5,358	3	5,355	74,214	54	74,161	71,763	34	71,729
Export-Import Bank of the United States.....	162,138	97,963	64,175	1,993,483	2,099,387	-105,904	2,538,701	2,198,724	339,977
Federal Communications Commission.....	5,866	2	5,864	64,084	19	64,065	55,791	15	55,776
Federal Deposit Insurance Corporation.....	103,320	123,894	-20,574	2,135,878	2,702,489	-566,611	1,231,627	2,083,272	-851,645
Federal Home Loan Bank Board:									
Public enterprise funds:									
Federal Home Loan Bank Board revolving fund.....	4,856	4,119	738	60,342	59,878	465	126,717	1,617,632	-1,490,915
Federal Savings and Loan Insurance Corp. fund.....	4,692	19,514	-14,821	182,174	585,897	-403,723	137,520	561,030	-423,511
Interest adjustment payments.....	3	.....	3	213	.....	213	1,071	.....	1,071
Federal Mediation and Conciliation Service.....	1,098	(*)	1,098	21,961	2	21,960	19,571	1	19,570
Federal Trade Commission.....	4,829	304	4,525	59,446	631	58,815	51,536	-167	51,703
Historical and Memorial Agencies.....	2	.....	2	17	.....	17	2,194	8	2,186
Intergovernmental Agencies:									
Washington Metropolitan Area Transit Authority.....	21,000	.....	21,000	149,337	.....	149,337	289,804	.....	289,804
Other.....	617	138	479	5,610	1,700	3,910	5,172	1,573	3,599
Intelligence Community Staff.....	734	.....	734	8,501	.....	8,501	4,017	.....	4,017
International Communication Agency <sup>10</sup> .....	6,646	104	6,542	353,410	1,294	352,117	327,866	468	327,398
International Trade Commission.....	934	.....	934	11,781	.....	11,781	10,806	.....	10,806
Interstate Commerce Commission.....	6,610	15	6,594	65,080	180	64,900	60,651	49	60,602
Legal Services Corporation.....	14,889	.....	14,889	157,429	.....	157,429	125,000	.....	125,000
National Credit Union Administration.....	2,910	2,612	299	53,003	66,466	-13,463	35,813	55,095	-19,282
National Foundation on the Arts and Humanities:									
National Endowment for the Arts.....	8,812	5	8,807	121,466	14	121,452	192,755	1	192,753
National Endowment for the Humanities.....	12,424	.....	12,424	125,810	.....	125,810	.....	.....	.....
National Labor Relations Board.....	6,673	16	6,657	90,615	201	90,414	80,727	182	80,546
National Science Foundation.....	93,756	47	93,709	803,182	398	802,783	752,869	834	752,035
Nuclear Regulatory Commission.....	23,203	1	23,202	270,876	14	270,862	230,559	12	230,547
Postal Service (payment to the Postal Service fund).....	82,700	.....	82,700	1,778,240	.....	1,778,240	2,267,449	.....	2,267,449
Railroad Retirement Board:									
Payments to Railroad Retirement Trust Fund.....	.....	.....	.....	250,000	.....	250,000	250,000	.....	250,000
Regional rail transportation protective account.....	4,505	.....	4,505	80,077	.....	80,077	59,983	.....	59,983
Railroad retirement accounts:									
Benefit payments and claims.....	351,278	.....	351,278	3,952,463	.....	3,952,463	3,768,376	.....	3,768,376
Advances to the railroad retirement account from the FOASI trust fund.....	-19,045	.....	-19,045	-195,818	.....	-195,818	-80,700	.....	-80,700
Advances to the railroad retirement account from the FDI trust fund.....	-3,002	.....	-3,002	-27,933	.....	-27,933	-12,900	.....	-12,900
Disbursements for the payment of FOASI benefits.....	17,235	.....	17,235	195,326	.....	195,326	81,024	.....	81,024
Disbursements for the payment of FDI benefits.....	2,459	.....	2,459	27,672	.....	27,672	12,614	.....	12,614
Administrative expenses.....	2,837	.....	2,837	30,918	.....	30,918	31,200	.....	31,200
Interest on refunds of taxes.....	(*)	.....	(*)	121	.....	121	8	.....	8
Proprietary receipts from the public.....	.....	(*)	(*)	.....	1	-1	.....	1	-1
Intrabudgetary transactions:									
Railroad retirement account:									
Payment to railroad retirement trust funds.....	.....	.....	.....	-250,000	.....	-250,000	-250,000	.....	-250,000
Interest transferred to federal hospital insurance trust fund.....	-1,689	.....	-1,689	11,732	.....	11,732	-757	.....	-757
Total--Railroad Retirement Board.....	354,578	(*)	354,578	4,074,557	1	4,074,556	3,858,849	1	3,858,848

See footnotes on page 3.

**TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)**

Classification of OUTLAYS-- Continued	This Month			Current Fiscal Year to Date			Comparable Period Prior Fiscal Year		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
<b>Independent Agencies--Continued</b>									
Securities and Exchange Commission .....	\$4,743	-\$1	\$4,743	\$61,328	\$25	\$61,303	\$53,659	\$24	\$53,635
Small Business Administration:									
Public enterprise funds:									
Business loan and investment fund.....	110,682	39,941	70,741	890,775	432,888	457,887	887,600	424,066	463,534
Disaster loan fund .....	483,540	23,003	460,537	2,342,138	237,629	2,104,509	384,578	200,378	184,200
Surety bond guarantees revolving fund.....	3,674	1,521	2,153	37,430	10,057	27,373	27,354	7,847	19,507
Other.....	18	89	-72	4,092	1,099	2,993	4,539	734	3,806
Salaries and expenses.....	12,459	.....	12,459	173,285	.....	173,285	28,942	.....	28,942
Proprietary receipts from the public .....	.....	1	-1	.....	19	-19	.....	15	-15
<b>Total--Small Business Administration .....</b>	<b>610,374</b>	<b>64,556</b>	<b>545,818</b>	<b>3,447,720</b>	<b>681,692</b>	<b>2,766,028</b>	<b>1,333,013</b>	<b>633,040</b>	<b>699,974</b>
Smithsonian Institution .....	13,206	3	13,204	125,298	58	125,240	115,041	52	114,988
Temporary Study Commissions.....	386	(*)	386	9,260	600	8,660	15,792	645	15,147
Tennessee Valley Authority.....	368,773	205,461	163,312	3,726,106	2,313,878	1,412,228	3,086,147	1,986,588	1,099,559
United States Railway Association:									
Administrative expenses .....	2,660	.....	2,660	19,025	.....	19,025	12,320	.....	12,320
Purchase of Conrail securities.....	69,000	.....	69,000	734,700	.....	734,700	723,180	.....	723,180
Other independent agencies .....	11,103	1,557	9,546	153,441	13,536	139,905	143,859	38,156	105,703
<b>Total--Independent Agencies .....</b>	<b>3,431,260</b>	<b>924,318</b>	<b>2,506,942</b>	<b>37,620,319</b>	<b>12,541,603</b>	<b>25,078,716</b>	<b>32,687,164</b>	<b>12,802,859</b>	<b>19,884,305</b>
<b>Undistributed offsetting receipts:</b>									
Federal employer contributions to retirement and social insurance funds:									
Legislative Branch:									
United States Tax Court:									
Tax court judges survivors annuity fund.....	.....	.....	.....	-30	.....	-30	-30	.....	-30
The Judiciary:									
Judicial survivors annuity fund.....	-129	.....	-129	-1,380	.....	-1,380	-1,197	.....	-1,197
Department of Health, Education, and Welfare:									
Federal old-age and survivors insurance trust fund.....	-77,000	.....	-77,000	-906,000	.....	-906,000	-863,000	.....	-863,000
Federal disability insurance trust fund.....	-13,000	.....	-13,000	-154,000	.....	-154,000	-114,000	.....	-114,000
Federal hospital insurance trust fund .....	-17,000	.....	-17,000	-206,000	.....	-206,000	-175,000	.....	-175,000
Department of State:									
Foreign Service retirement and disability fund.....	-2,329	.....	-2,329	-19,256	.....	-19,256	-16,879	.....	-16,879
Independent Agencies:									
Civil Service Commission:									
Civil Service retirement and disability fund .....	-191,649	.....	-191,649	-2,427,197	.....	-2,427,197	-2,191,994	.....	-2,191,994
Receipts from off-budget Federal agencies:									
Independent Agencies:									
Civil Service Commission:									
Civil Service retirement and disability fund ...	-545,610	.....	-545,610	-1,149,236	.....	-1,149,236	-1,185,973	.....	-1,185,973
<b>Subtotal .....</b>	<b>-846,717</b>	<b>.....</b>	<b>-846,717</b>	<b>-4,863,099</b>	<b>.....</b>	<b>-4,863,099</b>	<b>-4,548,073</b>	<b>.....</b>	<b>-4,548,073</b>

See footnotes on page 3.

TABLE III--BUDGET RECEIPTS AND OUTLAYS--Continued (In thousands)

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Classification of OUTLAYS--Continued	This Month			Current Fiscal Year to Date			Comparable Period Prior Fiscal Year		
	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays	Outlays	Applicable Receipts	Net Outlays
Undistributed offsetting receipts--Continued									
Interest on certain Government accounts:									
Interest credited to certain Government accounts:									
The Judiciary:									
Judicial survivors annuity fund .....	-\$1,493	.....	-\$1,493	-\$3,411	.....	-\$3,411	-\$1,908	.....	-\$1,908
Department of Defense:									
Civil:									
Soldiers' and Airmen's Home permanent fund ..	-1,590	.....	-1,590	-6,233	.....	-6,233	-6,350	.....	-6,350
Department of Health, Education, and Welfare:									
Federal old-age and survivors insurance trust									
fund .....	-31,366	.....	-31,366	-2,153,058	.....	-2,153,058	-2,274,603	.....	-2,274,603
Federal disability insurance trust fund .....	-4,930	.....	-4,930	-249,190	.....	-249,190	-373,906	.....	-373,906
Federal hospital insurance trust fund .....	-3,111	.....	-3,111	-780,058	.....	-780,058	-769,925	.....	-769,925
Federal supplementary medical insurance trust									
fund .....	-1,830	.....	-1,830	-229,065	.....	-229,065	-132,259	.....	-132,259
Department of Labor:									
Unemployment trust fund .....	-11,403	.....	-11,403	-266,286	.....	-266,286	-232,371	.....	-232,371
Black Lung Disability Trust Fund .....	-1,192	.....	-1,192	-1,192	.....	-1,192	.....	.....	.....
Department of State:									
Foreign Service retirement and disability fund ...	-42	.....	-42	-19,965	.....	-19,965	-13,487	.....	-13,487
Department of Transportation:									
Airport and airway trust fund .....	-3,547	.....	-3,547	-219,207	.....	-219,207	-193,540	.....	-193,540
Highway trust fund .....	-9,990	.....	-9,990	-662,155	.....	-662,155	-593,048	.....	-593,048
Veterans Administration:									
Government life insurance fund .....	-43	.....	-43	-31,730	.....	-31,730	-31,761	.....	-31,761
National service life insurance fund .....	-127	.....	-127	-460,453	.....	-460,453	-432,654	.....	-432,654
Independent Agencies:									
Civil Service Commission:									
Civil Service retirement and disability fund....	-69,427	.....	-69,427	-3,356,406	.....	-3,356,406	-2,840,794	.....	-2,840,794
Railroad Retirement Board:									
Railroad retirement account .....	-4,954	.....	-4,954	-208,555	.....	-208,555	-230,270	.....	-230,270
Other .....	-318	.....	-318	-3,618	.....	-3,618	-4,519	.....	-4,519
Subtotal .....	-145,364	.....	-145,364	-8,650,582	.....	-8,650,582	-8,131,395	.....	-8,131,395
Rents and royalties on the outer continental shelf lands ..	.....	\$97,315	-97,315	.....	\$2,258,546	-2,258,546	.....	\$2,373,747	-2,373,747
Total--Undistributed offsetting receipts .....	-992,080	97,315	-1,089,396	-13,513,681	2,258,546	-15,772,226	-12,679,469	2,373,747	-15,053,215
Total--Budget outlays .....	42,789,053	3,853,800	38,935,253	508,291,450	57,533,451	450,757,999	454,452,319	51,649,933	402,802,386
TOTAL BUDGET			(Net Totals)			(Net Totals)			(Net Totals)
Receipts .....			42,590,733			401,997,377			357,762,213
Outlays (-) .....			-38,935,253			-450,757,999			-402,802,386
Budget surplus (+) or deficit (-) .....			+3,655,480			-48,760,622			-45,040,173

## MEMORANDUM

Receipts offset against outlays (In thousands)

	Current Fiscal Year to Date	Comparable Period Prior Fiscal Year
Proprietary receipts .....	\$15,905,271	\$16,689,931
Receipts from off-budget Federal agencies .....	2,767,670	2,241,185
Intrabudgetary transactions .....	40,898,776	38,564,631
Total receipts offset against outlays .....	59,571,718	57,495,747

TABLE IV--MEANS OF FINANCING (In thousands)

Classification  (Assets and Liabilities Directly Related to the Budget)	Net Transactions (-) denotes net reduction of either liability or assets accounts			Account Balances Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This Month
		This Year	Prior Year	This Year	This Month	
LIABILITY ACCOUNTS						
Borrowing from the public:						
Public debt securities, issued under general financing authorities:						
Obligations of the United States, issued by:						
United States Treasury .....	\$7,098,736	\$72,704,561	\$64,138,743	\$698,839,908	\$764,445,733	\$771,544,469
Federal Financing Bank .....	.....	-10	-55	20	10	10
Total public debt securities .....	7,098,736	72,704,551	64,138,688	698,839,928	764,445,743	771,544,479
Agency securities, issued under special financing authorities (See Schedule B. For other agency borrowing, see Schedule C.) .....	-13,194	-1,417,194	-1,379,886	10,297,825	8,893,825	8,880,631
Total federal securities .....	7,085,542	71,287,357	62,758,803	709,137,753	773,339,568	780,425,110
Deduct:						
Federal securities held as investments of government accounts (See Schedule D) .....	4,264,894	12,181,491	9,242,952	157,295,161	165,211,758	169,476,652
Total borrowing from the public .....	2,820,648	59,105,866	53,515,851	551,842,592	608,127,810	610,948,458
Accrued interest payable to the public .....	1,989,457	2,020,988	257,038	4,712,426	4,743,957	6,733,414
Deposit funds:						
Allocations of special drawing rights .....	23,543	269,623	14,787	2,669,132	2,915,212	2,938,754
Other .....	205,255	78,442	229,884	3,289,835	3,163,022	3,368,277
Miscellaneous liability accounts (Includes checks outstanding etc.) .....	2,693,731	212,056	2,240,920	7,900,510	5,418,835	8,112,566
Total liability accounts .....	7,732,634	61,686,974	56,258,480	570,414,495	624,368,836	632,101,470
ASSET ACCOUNTS (Deduct)						
Cash and monetary assets:						
U.S. Treasury operating cash .....	9,365,437	3,339,999	1,689,554	19,103,773	13,078,334	22,443,772
Special drawing rights:						
Total holdings .....	56,607	452,409	132,642	2,489,275	2,885,077	2,941,684
SDR certificates issued to Federal Reserve Banks .....	.....	-100,000	-400,000	-1,200,000	-1,300,000	-1,300,000
Balance .....	56,607	352,409	-267,358	1,289,275	1,585,077	1,641,684
Gold tranche drawing rights:						
U.S. subscription to International Monetary Fund:						
Direct quota payments <sup>1</sup> .....	.....	2,110,156	.....	6,700,000	8,810,156	8,810,156
Maintenance of value adjustments .....	86,260	861,556	43,189	1,095,701	1,870,998	1,957,257
Other demand liabilities issued to IMF .....	-71,000	-3,262,408	81,438	-3,659,852	-6,851,259	-6,922,259
Receivable/Payable (-) for U.S. currency valuation adjustment .....	-58,024	-303,789	7,454	-4,899	-250,664	-308,688
Balance .....	-42,764	-594,485	132,081	4,130,951	3,579,230	3,536,466
Loans to International Monetary Fund .....	5,658	36,928	669,376	669,376	700,645	706,304
Other cash and monetary assets .....	346,144	-112,405	14,230	3,729,546	3,270,997	3,617,141
Total cash and monetary assets .....	9,731,083	3,022,446	2,237,882	28,922,921	22,214,284	31,945,367
Miscellaneous asset accounts .....	940,068	335,594	738,275	4,292,186	3,687,712	4,627,780
Total asset accounts .....	10,671,150	3,358,040	2,976,157	33,215,106	25,901,996	36,573,147
Excess of liabilities (+) or assets (-) .....	-2,938,517	+58,328,934	+53,282,323	+537,199,389	+598,466,840	+595,528,323
Transactions not applied to current year's surplus or deficit (See Schedule A for details) .....	-716,963	-9,568,312	-8,242,150	.....	-8,851,349	-9,568,312
Total budget financing [Financing of deficit (+) or disposition of surplus (-)] .....	-3,655,480	+48,760,622	+45,040,173	+537,199,389	+589,615,491	+585,960,011

See footnotes on page 3.

TABLE IV--SCHEDULE A--ANALYSIS OF CHANGE IN EXCESS OF LIABILITIES (In thousands)

Classification	This Month	Fiscal Year to Date	
		This Year	Prior Year
Excess of liabilities beginning of period:			
Based on composition of unified budget in preceding period .....	\$598,466,840	\$537,199,389	\$483,917,066
Adjustments during current fiscal year for changes in composition of unified budget .....	.....	.....	.....
Excess of liabilities beginning of period (current basis) .....	598,466,840	537,199,389	483,917,066
Budget surplus (-) or deficit:			
Based on composition of unified budget in prior fiscal year .....	-3,690,227	48,584,256	45,035,045
Changes in composition of unified budget:			
Housing for the elderly or the handicapped reclassified from off-budget to budgetary accounts <sup>8</sup> .....	34,747	176,366	5,128
Budget surplus (-) or deficit (Table III) .....	-3,655,480	48,760,622	45,040,173
Transactions not applied to current year's surplus or deficit:			
Seigniorage .....	-36,928	-367,156	-407,023
Increment on gold .....	.....	-702	-1,973
Net gain (-)/loss for U.S. currency valuation adjustment .....	-28,236	-368,515	-27,081
Net gain (-)/loss for IMF loan valuation adjustment .....	.....	-2,232	.....
Off-budget Federal Agencies:			
Pension Benefit Guaranty Corporation .....	1,357	-31,760	-15,593
Postal Service .....	164,977	-496,433	-173,141
Rural electrification and telephone revolving fund .....	-144,203	61,924	393,615
Rural Telephone Bank .....	6,971	112,710	58,580
Federal Financing Bank .....	753,025	10,660,478	8,414,766
Total--transactions not applied to current year's surplus or deficit .....	716,963	9,568,312	8,242,150
Excess of liabilities close of period .....	595,528,323	595,528,323	537,199,389

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 Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This Month
		This Year	Prior Year	This Year	This Month	
Agency securities, issued under special financing authorities:						
Obligations of the United States, issued by:						
Export-Import Bank .....	-\$1,452	-\$717,569	-\$732,990	\$2,858,174	\$2,142,057	\$2,140,605
Obligations guaranteed by the United States, issued by:						
Department of Defense:						
Family Housing Mortgages .....	-9,227	-117,589	-120,195	1,013,591	905,229	896,001
Department of Housing and Urban Development:						
Federal Housing Administration .....	-2,497	21,508	1,011	579,129	603,135	600,638
Department of Transportation:						
Coast Guard:						
Family Housing Mortgages .....	-18	-206	-197	1,844	1,656	1,638
Obligations not guaranteed by the United States, issued by:						
Department of Defense:						
Homeowners Assistance Mortgages .....	.....	-1,338	-514	2,086	749	749
Department of Housing and Urban Development:						
Government National Mortgage Association .....	.....	-602,000	-377,000	3,768,000	3,166,000	3,166,000
Independent Agencies:						
Postal Service .....	.....	.....	.....	250,000	250,000	250,000
Tennessee Valley Authority .....	.....	.....	-150,000	1,825,000	1,825,000	1,825,000
Total agency securities .....	-13,194	-1,417,194	-1,379,886	10,297,825	8,893,825	8,880,631

**TABLE IV--SCHEDULE C (MEMORANDUM)--AGENCY BORROWING FINANCED THROUGH  
ISSUE OF PUBLIC DEBT SECURITIES (In thousands)**

Classification	Transactions			Account Balances Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This Month
		This Year	Comparable Prior Year	This Year	This Month	
<b>Borrowing from the Treasury:</b>						
Commodity Credit Corporation .....	\$546,658	\$5,132,850	\$2,572,465	\$6,128,458	\$10,714,650	\$11,261,308
D. C. Commissioners: Stadium sinking fund, Armory Board, D. C. ....		832		832	1,664	1,664
Export-Import Bank of United States .....	-327,700	-3,324	-69,701	<sup>R</sup> 3,324	<sup>R</sup> 327,900	
Federal Financing Bank .....	1,409,483	12,659,220	9,533,958	35,418,282	46,668,019	48,077,502
Federal Home Loan Bank Board .....			-1,490,683			
Federal Housing Administration:						
General insurance .....	75,000	245,000	-935,613	1,911,655	2,081,655	2,156,655
Special risk insurance .....		195,000	-413,834	1,617,166	1,812,166	1,812,166
General Services Administration:						
Pennsylvania Avenue Development Corporation .....		17,212			17,212	17,212
Government National Mortgage Association:						
Emergency home purchase assistance fund .....	113,120	359,793	-224,300	<sup>R</sup> 716,316	<sup>R</sup> 962,989	1,076,109
Management and liquidating functions .....		-15,000	-8,190	50,000	35,000	35,000
Special assistance functions .....	-7,010	-4,905	-767,025	4,141,502	4,143,607	4,136,597
International Communication Agency .....				22,114	22,114	22,114
Rural Electrification Administration .....	-173,861		455,634	7,864,742	8,038,603	7,864,742
Rural Telephone Bank .....	8,318	85,648	32,889	233,622	310,952	319,270
Saint Lawrence Seaway Development Corporation .....		-1,000	-2,000	116,476	115,476	115,476
Secretary of Agriculture, Farmers Home Administration:						
Rural housing insurance fund .....	150,000	40,000	25,000	855,718	855,718	1,005,718
Agricultural credit insurance fund .....	100,000	100,000		676,000	676,000	776,000
Rural development insurance fund .....	40,000	160,000	30,000	390,000	400,000	440,000
Secretary of Energy .....	175,000	175,000	125,000	125,000	125,000	300,000
Secretary of Housing and Urban Development Department:						
College housing loans .....				2,811,000	2,811,000	2,811,000
Housing for the Elderly and Handicapped .....	28,645	45,170			16,525	45,170
National flood insurance fund .....	4,714	82,915	27,608	147,451	225,652	230,366
New communities guaranty:						
Title IV .....		129	1,224	3,358	3,487	3,487
Title VII .....		97,929	85,913	113,078	211,007	211,007
Urban renewal fund .....				800,000	800,000	800,000
Secretary of the Interior:						
Bureau of Mines, helium fund .....				251,650	251,650	251,650
Secretary of Transportation:						
Rail Service Assistance .....		-49,653		52,479	2,826	2,826
Regional Rail Reorganization .....	302	302	880	2,402	2,402	2,704
Smithsonian Institution:						
John F. Kennedy Center parking facilities .....				20,400	20,400	20,400
Tennessee Valley Authority .....				150,000	150,000	150,000
Veterans Administration:						
Veterans direct loan program .....				1,730,078	1,730,078	1,730,078
<i>Total Borrowing from the Treasury .....</i>	<i>2,142,669</i>	<i>19,323,118</i>	<i>8,979,225</i>	<i><sup>R</sup> 66,353,103</i>	<i><sup>R</sup> 83,533,752</i>	<i>85,676,221</i>
<b>Borrowing from the Federal Financing Bank:</b>						
Export-Import Bank of the United States .....	436,000	644,800	1,155,336	5,923,486	6,132,287	6,568,287
Postal Service .....	-0-	-67,000	-1,067,000	2,181,000	2,114,000	2,114,000
Tennessee Valley Authority .....	210,000	1,340,000	1,145,000	3,880,000	5,010,000	5,220,000
<i>Total Borrowing from the Federal Financing Bank .....</i>	<i>646,000</i>	<i>1,917,800</i>	<i>1,233,336</i>	<i>11,984,486</i>	<i>13,256,287</i>	<i>13,902,287</i>
<b>Total Agency Borrowing financed through issues of Public Debt Securities .....</b>	<b>2,788,669</b>	<b>21,240,918</b>	<b>10,212,561</b>	<b><sup>R</sup> 78,337,586</b>	<b><sup>R</sup> 96,790,036</b>	<b>99,578,508</b>

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.

R-Revised

**TABLE IV--SCHEDULE D--INVESTMENTS OF GOVERNMENT ACCOUNTS**  
**IN FEDERAL SECURITIES (In thousands)**

Classification	Net Purchases or Sales (-)			Securities Held as Investments Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This Month
		This Year	Prior Year	This Year	This Month	
<b>Federal Funds:</b>						
Department of Agriculture:						
Agency securities .....		-\$6,000	-\$6,000	\$29,215	\$23,215	\$23,215
Department of Commerce.....	\$1,215	-65,344	32,240	138,710	72,151	73,366
Department of Energy .....			-39,345			
Department of Housing and Urban Development:						
Federal Housing Administration:						
Federal housing administration fund:						
Public debt securities.....	5,769	100,452	190,531	1,742,417	1,837,099	1,842,868
Agency securities.....	-16	-30	-183	191,020	191,006	190,990
Government National Mortgage Association:						
Emergency mortgage purchase assistance:						
Special assistance function fund:						
Agency securities.....	-787	-1,298	-904	108,179	107,669	106,881
Management and liquidating functions fund:						
Agency securities.....	-248	-2,598	-3,657	35,799	33,450	33,201
Guarantees of Mortgage-Backed Securities:						
Public debt securities.....	2,470	11,874	18,329	57,578	66,982	69,452
Agency securities.....	939	29,106	3,184	6,376	34,542	35,482
Participation sales fund:						
Public debt securities.....	38,520	-238,468	-95,274	1,509,734	1,232,746	1,271,266
Agency securities.....		-74,365		86,745	12,380	12,380
Housing Management:						
Community disposal operations fund:						
Agency securities.....				388	388	388
Federal Insurance Administration:						
National insurance development fund .....		-36,195	-3,465	88,232	52,037	52,037
Department of Transportation.....	740	1,930	940	15,355	16,545	17,285
Department of the Treasury.....	-36,271	-286,556	520,228	2,049,565	1,799,280	1,763,009
Veterans Administration:						
Veterans reopened insurance fund .....	-726	28,151	28,163	381,806	410,683	409,957
<b>Independent Agencies:</b>						
Emergency Loan Guarantee Board.....		-31,510	5,580	31,510		
Export-Import Bank of the United States.....	7,700	-4,900	12,600	12,600		7,700
Federal Savings and Loan Insurance Corporation:						
Public debt securities .....	14,822	449,913	433,323	4,536,160	4,971,251	4,986,073
Agency securities .....		-46,190	-9,812	132,165	85,975	85,975
National Credit Union Administration .....	-1,230	12,980	19,559	89,284	103,494	102,264
Other.....	6,630	58,950	49,760	312,515	364,835	371,465
Total public debt securities.....	39,639	1,277	1,173,169	10,965,466	10,927,103	10,966,742
Total agency securities.....	-113	-101,374	-17,371	589,886	488,624	488,511
Total Federal funds.....	39,527	-100,098	1,155,798	11,555,351	11,415,726	11,455,253
<b>Trust Funds:</b>						
Legislative Branch:						
United States Tax Court .....		42	34	599	641	641
Library of Congress .....		175		1,340	1,515	1,515
The Judiciary:						
Judicial Survivors Annuity Fund.....	774	2,943	30,548	41,469	43,638	44,412
Department of Agriculture.....	-55	-880	1,833	2,375	1,550	1,495
Department of Commerce .....	-45	15	10	45	105	60
Department of Defense .....	26	414	1,485	2,593	2,981	3,007
Department of Health, Education, and Welfare:						
Federal old-age and survivors insurance trust fund:						
Public debt securities.....	-2,086,212	-4,443,012	-1,645,020	34,854,827	32,498,027	30,411,815
Agency securities.....				555,000	555,000	555,000
Federal disability insurance trust fund.....	184,578	110,391	-2,211,337	4,241,910	4,167,723	4,352,301
Federal hospital insurance trust fund:						
Public debt securities.....	203,702	783,566	-35,742	10,923,740	11,503,604	11,707,306
Agency securities.....				50,000	50,000	50,000
Federal supplementary medical insurance trust fund .....	30,689	1,788,614	988,133	2,232,078	3,990,003	4,020,692
Other.....	200	550	999	1,186	1,536	1,736

**TABLE IV—SCHEDULE D—INVESTMENTS OF GOVERNMENT ACCOUNTS  
IN FEDERAL SECURITIES (In thousands)—Continued**

Classification	Net Purchases or Sales (-)			Securities Held as Investments Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This Month
		This Year	Prior Year	This Year	This Month	
<b>Trust Funds--Continued</b>						
Department of the Interior .....	\$3,440	\$5,531	-\$7,075	\$6,595	\$8,686	\$12,126
Department of Labor:						
Unemployment trust fund .....	-669,131	3,530,142	1,073,062	5,987,165	10,186,438	9,517,307
Other .....	-75,595	-46	-665	4,707	80,256	4,661
Department of State:						
Foreign service retirement and disability fund .....	78,498	103,916	92,340	287,948	293,366	371,864
Other .....	200	500	265	480	780	980
Department of Transportation:						
Airport and airway trust fund .....	-89,741	440,556	533,780	3,245,981	3,776,278	3,686,537
Highway trust fund .....	-73,109	1,499,395	1,126,811	10,078,687	11,651,191	11,578,082
Other .....		10		10	20	20
Department of the Treasury .....	-6,600	4,450	4,410	52,870	63,920	57,320
General Services Administration .....	-125	260	-155	3,830	4,215	4,090
Veterans Administration:						
Government life insurance fund .....	-3,954	-30,230	-34,207	525,872	499,596	495,642
National service life insurance fund:						
Public debt securities .....	-16,865	367,752	294,097	7,250,289	7,634,906	7,618,041
Agency securities .....		-100,000	-75,000	235,000	135,000	135,000
Veterans special life insurance fund .....	1,100	55,011	46,124	528,389	582,300	583,400
General Post Fund National Homes .....		890	332	1,475	2,365	2,365
<b>Independent Agencies:</b>						
Civil Service Commission:						
Civil service retirement and disability fund:						
Public debt securities .....	7,515,026	6,663,472	6,931,474	49,221,368	48,369,814	55,884,840
Agency securities .....		-100,000		375,000	275,000	275,000
Employees health benefits fund .....	77,720	89,154	102,248	424,162	435,596	513,316
Employees life insurance fund .....	25,105	486,686	397,855	2,529,802	2,991,383	3,016,488
Retired employees health benefits fund .....		-5,600	-4,052	13,229	7,629	7,629
Federal Deposit Insurance Corporation .....	20,881	569,310	855,375	7,462,458	8,010,887	8,031,768
Japan-United States Friendship Commission .....	-177	-454	240	19,125	18,848	18,871
Harry S. Truman Memorial Scholarship Foundation .....	398	1,816	21,115	31,163	32,582	32,979
Railroad Retirement Board:						
Public debt securities .....	-201,215	-104,220	-121,013	3,182,108	3,279,103	3,077,888
Agency securities .....			-50,000			
Total public debt securities .....	4,919,512	11,921,119	8,442,704	143,139,874	150,141,480	155,060,993
Total agency securities .....		-200,000	-125,000	1,215,000	1,015,000	1,015,000
Total trust funds .....	4,919,512	11,721,119	8,317,704	144,354,874	151,156,480	156,075,993
<b>Off-budget Federal agencies:</b>						
Federal Financing Bank .....	8,755	78,690	-85,920	38,205	108,140	116,895
Postal Service:						
Public debt securities .....	-701,500	449,900	-160,000	1,271,200	2,422,600	1,721,100
Rural electrification and telephone revolving fund .....		-55	-335	4,066	4,011	4,011
Pension Benefit Guaranty Corporation .....	-1,400	31,935	15,704	71,465	104,800	103,400
Total public debt securities .....	-694,145	560,470	-230,551	1,384,936	2,639,551	1,945,406
Total Off-budget Federal agencies .....	-694,145	560,470	-230,551	1,384,936	2,639,551	1,945,406
<b>Grand Total .....</b>	<b>4,264,894</b>	<b>12,181,491</b>	<b>9,242,952</b>	<b>157,295,161</b>	<b>165,211,758</b>	<b>169,476,652</b>
<b>Note:</b> Investments are in public debt securities unless otherwise noted.						
<b>MEMORANDUM</b>						
Investments in securities of privately owned Government-sponsored enterprises:						
Milk market orders assessment fund .....			-200			
Total .....			-200			

**TABLE V--COMPARATIVE STATEMENT OF BUDGET RECEIPTS AND OUTLAYS  
BY MONTHS OF CURRENT FISCAL YEAR**

(Figures are rounded in millions of dollars and may not add to totals)

Classification	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Fiscal Year To Date	Com- parable Period Prior F. Y.
<b>NET RECEIPTS</b>														
Individual income taxes.....	\$13,278	\$13,173	\$13,941	\$20,217	\$10,747	\$5,612	\$19,036	\$14,423	\$20,301	\$14,590	\$14,784	\$20,883	\$180,988	\$157,69
Corporation income taxes.....	1,445	920	9,212	1,991	1,013	8,023	8,850	1,183	14,655	1,785	1,122	9,753	59,952	54,80
Social insurance taxes and contributions:														
Employment taxes and contributions.....	5,542	8,750	6,037	7,157	10,745	7,938	9,987	11,084	8,648	7,960	12,191	7,854	103,893	92,39
Unemployment insurance ....	541	1,216	123	403	1,192	144	1,393	4,499	169	1,094	2,912	162	13,850	11,37
Contributions for other insurance and retirement...	466	438	486	437	490	478	448	508	470	464	484	499	5,668	5,16
Excise taxes .....	1,529	1,615	1,463	1,492	1,259	1,395	1,368	1,670	1,651	1,707	1,591	1,637	18,376	17,54
Estate and gift taxes .....	410	439	482	447	434	462	296	512	436	407	515	445	5,285	7,32
Customs duties .....	406	459	501	494	441	603	545	584	653	596	681	610	6,573	5,15
Miscellaneous receipts.....	512	587	549	563	602	577	622	629	674	590	760	747	7,413	6,53
<b>Total--receipts this year.....</b>	<b>24,130</b>	<b>27,598</b>	<b>32,794</b>	<b>33,201</b>	<b>26,922</b>	<b>25,233</b>	<b>42,546</b>	<b>35,091</b>	<b>47,657</b>	<b>29,194</b>	<b>35,040</b>	<b>42,591</b>	<b>401,997</b>	.....
<i>Total--receipts prior year ..</i>	<i>21,018</i>	<i>25,698</i>	<i>29,471</i>	<i>29,977</i>	<i>24,343</i>	<i>25,155</i>	<i>40,017</i>	<i>27,672</i>	<i>43,114</i>	<i>24,967</i>	<i>29,683</i>	<i>36,647</i>	.....	357,76
<b>NET OUTLAYS</b>														
Legislative Branch.....	88	91	69	87	80	89	80	114	78	94	94	86	1,049	97
The Judiciary.....	1	45	29	29	51	27	37	46	29	32	52	57	435	38
Executive Office of the President.....	9	4	4	7	6	4	7	8	12	2	5	6	75	7
Funds Appropriated to the President:														
International security assistance .....	114	212	183	-105	-104	118	704	-105	780	-221	705	-263	2,020	39
International development assistance .....	80	175	123	53	153	245	92	90	99	174	105	134	1,523	1,63
Other.....	25	40	44	43	33	175	-7	8	167	151	-1	254	932	45
Department of Agriculture:														
Foreign assistance, special export programs and Commodity Credit Corporation.....	994	1,213	1,715	1,442	123	144	99	-46	-21	109	303	390	6,465	4,670
Other.....	779	1,627	1,303	1,248	816	1,734	682	1,275	840	1,227	898	1,476	13,904	12,00
Department of Commerce .....	277	329	341	380	358	453	445	512	604	502	544	507	5,252	2,00
Department of Defense:														
Military:														
Department of the Army...	2,120	2,350	2,030	2,143	2,169	1,909	2,035	2,518	1,915	2,208	2,452	2,170	26,020	23,918
Department of the Navy...	2,556	2,745	2,600	2,581	2,645	3,237	2,697	2,888	2,980	2,700	3,027	2,867	33,524	30,775
Department of Air Force...	2,302	2,464	2,311	2,186	2,270	2,705	2,428	2,288	2,692	2,141	2,831	2,599	29,217	27,915
Defense agencies .....	1,016	1,155	1,261	1,205	1,134	1,307	1,147	1,167	1,259	1,230	1,233	1,167	14,282	12,948
Civil defense.....	-2	6	4	9	8	9	8	9	9	5	9	8	81	93
<b>Total Military.....</b>	<b>7,992</b>	<b>8,721</b>	<b>8,206</b>	<b>8,123</b>	<b>8,226</b>	<b>9,168</b>	<b>8,315</b>	<b>8,870</b>	<b>8,854</b>	<b>8,284</b>	<b>9,552</b>	<b>8,811</b>	<b>103,124</b>	<b>95,650</b>
Civil .....	226	230	226	159	144	169	166	201	178	250	262	343	2,553	2,280
Department of Energy.....	396	479	499	415	513	386	439	619	507	545	740	892	6,430	5,252
Department of Health, Education, and Welfare:														
Human Development Services .....	387	390	402	434	446	471	453	453	427	455	494	441	5,252	2,23
Health Care Financing Administration:														
Grants to states for Medicaid.....	878	879	843	883	958	879	760	910	902	969	1,008	811	10,680	18,77
Federal hospital insurance trust fund.....	1,388	1,419	1,618	1,317	1,268	1,611	1,469	1,573	1,608	1,437	1,707	1,445	17,862	15,20
Federal supplementary medical insurance trust fund.....	518	486	574	522	694	645	601	652	667	601	736	659	7,358	6,34
Other.....	55	1,130	913	383	580	1,307	584	430	472	502	502	437	7,293	6
Social Security Adm.: Assis. Pmts. Program ...	535	535	520	643	500	578	558	695	578	533	396	570	6,639	.....
Federal old-age and survivors insurance trust fund.....	6,386	6,555	6,448	6,560	6,524	6,610	6,563	6,563	8,112	6,917	6,970	7,000	81,206	73,47
Federal disability insur- ance trust fund .....	1,012	1,045	1,049	1,023	1,027	1,045	1,016	1,042	1,070	1,111	1,116	1,097	12,656	11,58
Other.....	526	549	1,282	520	530	1,042	40	551	1,065	58	566	991	7,721	13,13
Other .....	1,089	312	-470	840	849	198	712	956	-759	539	922	951	6,143	6,62

**TABLE V--COMPARATIVE STATEMENT OF BUDGET RECEIPTS AND OUTLAYS**  
**BY MONTHS OF CURRENT FISCAL YEAR (In millions)--Continued**

Classification	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Fiscal Year To Date	Com-parable Period Prior F. Y.
<b>NET OUTLAYS--Continued</b>														
Department of Housing and Urban Development.....	\$582	\$689	\$767	\$661	\$430	\$465	\$526	\$557	\$940	\$858	\$742	\$543	\$7,761	\$5,838
Department of the Interior.....	319	373	281	258	233	208	222	378	286	202	248	670	3,678	3,152
Department of Justice.....	205	208	193	195	189	191	213	230	202	194	190	186	2,397	2,350
Department of Labor:														
Unemployment trust fund.....	904	853	1,010	1,184	1,113	1,260	936	880	777	731	810	712	11,169	14,103
Other.....	672	670	835	854	950	1,087	946	1,180	1,112	1,033	1,378	1,016	11,733	8,271
Department of State.....	148	40	111	90	136	102	159	76	100	129	86	74	1,252	1,076
Department of Transportation:														
Highway trust fund.....	611	640	510	403	288	357	309	443	560	516	597	668	5,903	6,020
Other.....	697	522	613	742	509	625	718	636	641	650	533	663	7,549	6,494
Department of the Treasury:														
Interest on the public debt.....	3,083	3,320	6,794	3,282	3,450	3,403	3,493	3,670	7,166	3,538	3,868	3,628	48,695	41,900
Interest on refunds, etc.....	26	30	31	21	25	21	24	26	32	22	32	27	317	318
Antirecession financial assistance fund.....	424	2	(**)	408	(**)	(**)	306	(**)	(**)	189	(**)	(**)	1,329	1,699
General revenue sharing.....	1,708	(**)	(**)	1,700	4	(**)	1,705	(**)	(**)	1,705	(**)	(**)	6,823	6,760
Other.....	146	-292	-480	-329	249	316	323	91	-360	-275	-173	-71	-855	-216
Environmental Protection Agency.....	306	370	314	343	261	341	286	344	353	326	396	431	4,071	4,365
General Services Administration.....	-140	111	105	-226	86	81	-188	110	104	-111	92	92	117	-31
National Aeronautics and Space Administration.....	310	339	320	315	342	370	316	361	320	324	320	344	3,980	3,944
Veterans Administration:														
Compensation and pensions.....	752	787	1,534	137	797	1,541	54	796	1,529	54	803	790	9,573	9,000
National service life.....	(**)	-7	15	23	19	24	16	28	13	17	31	11	191	220
Government service life.....	4	3	6	5	5	6	5	8	4	7	6	4	63	65
Other.....	818	814	1,049	519	693	1,106	482	919	885	529	688	635	9,136	8,735
Independent Agencies:														
Civil Service Commission.....	880	874	931	905	864	892	968	872	967	966	905	939	10,963	9,620
Postal Service.....	1,696	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	83	1,778	2,267
Small Business Administration.....	55	439	55	43	97	780	-37	339	-46	37	459	546	2,766	700
Tennessee Valley Authority.....	135	140	115	54	2	62	129	184	154	140	134	163	1,412	1,100
Other ind. agencies.....	1,221	493	682	800	73	602	906	535	818	772	480	776	8,160	6,197
Undistributed offsetting receipts:														
Federal employer contributions to retirement fund.....	-350	-328	-381	-343	-385	-382	-346	-415	-373	-351	-362	-847	-4,863	-4,548
Interest credited to certain accounts.....	-111	-214	-3,584	-71	-202	-60	-115	-152	-3,714	-12	-270	-145	-8,651	-8,131
Rents and Royalties on Outer Continental Shelf Lands.....	-63	-479	-98	-61	-90	-138	-242	-717	-138	-39	-96	-97	-2,259	-2,374
<b>Total outlays--this year.....</b>	<b>38,793</b>	<b>36,866</b>	<b>37,647</b>	<b>36,918</b>	<b>33,914</b>	<b>40,358</b>	<b>35,927</b>	<b>36,800</b>	<b>38,602</b>	<b>36,426</b>	<b>39,572</b>	<b>38,935</b>	<b>450,758</b>	<b>.....</b>
<b>Total outlays--prior year.....</b>	<b>33,998</b>	<b>33,085</b>	<b>31,890</b>	<b>32,640</b>	<b>30,880</b>	<b>34,646</b>	<b>35,548</b>	<b>33,714</b>	<b>32,920</b>	<b>33,645</b>	<b>34,730</b>	<b>35,106</b>	<b>.....</b>	<b>402,802</b>
<b>Surplus (+) or deficit (-) this year.....</b>	<b>-14,663</b>	<b>-9,269</b>	<b>-4,852</b>	<b>-3,717</b>	<b>-6,992</b>	<b>-15,125</b>	<b>+6,618</b>	<b>-1,709</b>	<b>+9,055</b>	<b>-7,232</b>	<b>-4,532</b>	<b>+3,655</b>	<b>-48,761</b>	<b>.....</b>
<b>Surplus (+) or deficit (-) prior year.....</b>	<b>-12,980</b>	<b>-7,383</b>	<b>-2,418</b>	<b>-2,663</b>	<b>-6,537</b>	<b>-9,491</b>	<b>+4,469</b>	<b>-6,042</b>	<b>+10,190</b>	<b>-8,678</b>	<b>-5,047</b>	<b>+1,541</b>	<b>.....</b>	<b>-45,040</b>

See footnotes on page 3.

**TABLE V--COMPARATIVE STATEMENT OF BUDGET RECEIPTS AND OUTLAYS  
BY MONTHS OF CURRENT FISCAL YEAR**

(Figures are rounded in millions of dollars and may not add to totals)

Classification	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Fiscal Year To Date	Com-parable Period Prior F. Y.
<b>NET RECEIPTS</b>														
Individual income taxes.....	\$13,278	\$13,173	\$13,941	\$20,217	\$10,747	\$5,612	\$19,036	\$14,423	\$20,301	\$14,590	\$14,784	\$20,883	\$180,988	\$157,626
Corporation income taxes.....	1,445	920	9,212	1,991	1,013	8,023	8,850	1,183	14,655	1,785	1,122	9,753	59,952	54,892
Social insurance taxes and contributions:														
Employment taxes and contributions.....	5,542	8,750	6,037	7,157	10,745	7,938	9,987	11,084	8,648	7,960	12,191	7,854	103,893	92,210
Unemployment insurance....	541	1,216	123	403	1,192	144	1,393	4,499	169	1,094	2,912	162	13,850	11,312
Contributions for other insurance and retirement...	466	438	486	437	490	478	448	508	470	464	484	499	5,668	5,167
Excise taxes.....	1,529	1,615	1,463	1,492	1,259	1,395	1,368	1,670	1,651	1,707	1,591	1,637	18,376	17,548
Estate and gift taxes.....	410	439	482	447	434	462	296	512	436	407	515	445	5,285	7,327
Customs duties.....	406	459	501	494	441	603	545	584	653	596	681	610	6,573	5,150
Miscellaneous receipts.....	512	587	549	563	602	577	622	629	674	590	760	747	7,413	6,531
<b>Total--receipts this year.....</b>	<b>24,130</b>	<b>27,598</b>	<b>32,794</b>	<b>33,201</b>	<b>26,922</b>	<b>25,233</b>	<b>42,546</b>	<b>35,091</b>	<b>47,657</b>	<b>29,194</b>	<b>35,040</b>	<b>42,591</b>	<b>401,997</b>	.....
<b>Total--receipts prior year..</b>	<b>21,018</b>	<b>25,698</b>	<b>29,471</b>	<b>29,977</b>	<b>24,343</b>	<b>25,155</b>	<b>40,017</b>	<b>27,672</b>	<b>43,114</b>	<b>24,967</b>	<b>29,683</b>	<b>36,647</b>	.....	<b>357,762</b>
<b>NET OUTLAYS</b>														
Legislative Branch.....	88	91	69	87	80	89	80	114	78	94	94	86	1,049	976
The Judiciary.....	1	45	29	29	51	27	37	46	29	32	52	57	435	392
Executive Office of the President.....	9	4	4	7	6	4	7	8	12	2	5	6	75	73
Funds Appropriated to the President:														
International security assistance.....	114	212	183	-105	-104	118	704	-105	780	-221	705	-263	2,020	396
International development assistance.....	80	175	123	53	153	245	92	90	99	174	105	134	1,523	1,636
Other.....	25	40	44	43	33	175	-7	8	167	151	-1	254	932	454
Department of Agriculture:														
Foreign assistance, special export programs and Commodity Credit Corporation.....	994	1,213	1,715	1,442	123	144	99	-46	-21	109	303	390	6,465	4,670
Other.....	779	1,627	1,303	1,248	816	1,734	682	1,275	840	1,227	898	1,476	13,904	12,068
Department of Commerce.....	277	329	341	380	358	453	445	512	604	502	544	507	5,252	2,606
Department of Defense:														
Military:														
Department of the Army...	2,120	2,350	2,030	2,143	2,169	1,909	2,035	2,518	1,915	2,208	2,452	2,170	26,020	23,919
Department of the Navy...	2,556	2,745	2,600	2,581	2,645	3,237	2,697	2,888	2,980	2,700	3,027	2,867	33,524	30,775
Department of Air Force..	2,302	2,464	2,311	2,186	2,270	2,705	2,428	2,288	2,692	2,141	2,831	2,599	29,217	27,915
Defense agencies.....	1,016	1,155	1,261	1,205	1,134	1,307	1,147	1,167	1,259	1,230	1,233	1,167	14,282	12,948
Civil defense.....	-2	6	4	9	8	9	8	9	9	5	9	8	81	93
<b>Total Military.....</b>	<b>7,992</b>	<b>8,721</b>	<b>8,206</b>	<b>8,123</b>	<b>8,226</b>	<b>9,168</b>	<b>8,315</b>	<b>8,870</b>	<b>8,854</b>	<b>8,284</b>	<b>9,552</b>	<b>8,811</b>	<b>103,124</b>	<b>95,650</b>
Civil.....	226	230	226	159	144	169	166	201	178	250	262	343	2,553	2,280
Department of Energy.....	396	479	499	415	513	386	439	619	507	545	740	892	6,430	5,252
Department of Health, Education, and Welfare:														
Human Development Services.....	387	390	402	434	446	471	453	453	427	455	494	441	5,252	2,233
Health Care Financing Administration:														
Grants to states for Medicaid.....	878	879	843	883	958	879	760	910	902	969	1,008	811	10,680	18,777
Federal hospital insurance trust fund.....	1,388	1,419	1,618	1,317	1,268	1,611	1,469	1,573	1,608	1,437	1,707	1,445	17,862	15,207
Federal supplementary medical insurance trust fund.....	518	486	574	522	694	645	601	652						
Other.....	55	1,130	913	383	580	1,307	584	652	667	601	736	659	7,358	6,345
Social Security Adm.: Assis. Pmts. Program...	535	535	520	643	500	578	558	695	578	533	396	570	6,639	.....
Federal old-age and survivors insurance trust fund.....	6,386	6,555	6,448	6,560	6,524	6,610	6,563	6,563	8,112	6,917	6,970	7,000	81,206	73,478
Federal disability insurance trust fund.....	1,012	1,045	1,049	1,023	1,027	1,045	1,016	1,042						
Other.....	526	549	1,282	520	530	1,042	40	551	1,070	1,111	1,116	1,097	12,656	11,585
Other.....	1,089	312	-470	840	849	198	712	956	1,065	58	566	991	7,721	13,139
									-759	539	922	951	6,143	6,626

TABLE V--COMPARATIVE STATEMENT OF BUDGET RECEIPTS AND OUTLAYS

BY MONTHS OF CURRENT FISCAL YEAR (In millions)--Continued

Classification	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Fiscal Year To Date	Comparable Period Prior F. Y.
<b>NET OUTLAYS--Continued</b>														
Department of Housing and Urban Development.....	\$582	\$689	\$767	\$661	\$430	\$465	\$526	\$557	\$940	\$858	\$742	\$543	\$7,761	\$5,838
Department of the Interior.....	319	373	281	258	233	208	222	378	286	202	248	670	3,678	3,152
Department of Justice.....	205	208	193	195	189	191	213	230	202	194	190	186	2,397	2,350
Department of Labor:														
Unemployment trust fund.....	904	853	1,010	1,184	1,113	1,260	936	880	777	731	810	712	11,169	14,103
Other.....	672	670	835	854	950	1,087	946	1,180	1,112	1,033	1,378	1,016	11,733	8,271
Department of State.....	148	40	111	90	136	102	159	76	100	129	86	74	1,252	1,076
Department of Transportation:														
Highway trust fund.....	611	640	510	403	288	357	309	443	560	516	597	668	5,903	6,020
Other.....	697	522	613	742	509	625	718	636	641	650	533	663	7,549	6,494
Department of the Treasury:														
Interest on the public debt.....	3,083	3,320	6,794	3,282	3,450	3,403	3,493	3,670	7,166	3,538	3,868	3,628	48,695	41,900
Interest on refunds, etc.....	26	30	31	21	25	21	24	26	32	22	32	27	317	318
Antirecession financial assistance fund.....	424	2	(**)	408	(**)	(**)	306	(**)	(**)	189	(**)	(**)	1,329	1,699
General revenue sharing.....	1,708	(**)	(**)	1,700	4	(**)	1,705	(**)	(**)	1,705	(**)	(**)	6,823	6,760
Other.....	146	-292	-480	-329	249	316	323	91	-360	-275	-173	-71	-855	-216
Environmental Protection Agency.....	306	370	314	343	261	341	286	344	353	326	396	431	4,071	4,365
General Services Administration.....	-140	111	105	-226	86	81	-188	110	104	-111	92	92	117	-31
National Aeronautics and Space Administration.....	310	339	320	315	342	370	316	361	320	324	320	344	3,980	3,944
Veterans Administration:														
Compensation and pensions.....	752	787	1,534	137	797	1,541	54	796	1,529	54	803	790	9,573	9,000
National service life.....	(**)	-7	15	23	19	24	16	28	13	17	31	11	191	220
Government service life.....	4	3	6	5	5	6	5	8	4	7	6	4	63	65
Other.....	818	814	1,049	519	693	1,106	482	919	885	529	688	635	9,136	8,735
Independent Agencies:														
Civil Service Commission.....	880	874	931	905	864	892	968	872	967	966	905	939	10,963	9,620
Postal Service.....	1,696	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	83	1,778	2,267
Small Business Administration.....	55	439	55	43	97	780	-37	339	-46	37	459	546	2,766	700
Tennessee Valley Authority.....	135	140	115	54	2	62	129	184	154	140	134	163	1,412	1,100
Other ind. agencies.....	1,221	493	682	800	73	602	906	535	818	772	480	776	8,160	6,197
Undistributed offsetting receipts:														
Federal employer contributions to retirement fund.....	-350	-328	-381	-343	-385	-382	-346	-415	-373	-351	-362	-847	-4,863	-4,548
Interest credited to certain accounts.....	-111	-214	-3,584	-71	-202	-60	-115	-152	-3,714	-12	-270	-145	-8,651	-8,131
Rents and Royalties on Outer Continental Shelf Lands.....	-63	-479	-98	-61	-90	-138	-242	-717	-138	-39	-96	-97	-2,259	-2,374
<b>Total outlays--this year.....</b>	<b>38,793</b>	<b>36,866</b>	<b>37,647</b>	<b>36,918</b>	<b>33,914</b>	<b>40,358</b>	<b>35,927</b>	<b>36,800</b>	<b>38,602</b>	<b>36,426</b>	<b>39,572</b>	<b>38,935</b>	<b>450,758</b>	<b>.....</b>
<b>Total outlays--prior year.....</b>	<b>33,998</b>	<b>33,085</b>	<b>31,890</b>	<b>32,640</b>	<b>30,880</b>	<b>34,646</b>	<b>35,548</b>	<b>33,714</b>	<b>32,920</b>	<b>33,645</b>	<b>34,730</b>	<b>35,106</b>	<b>.....</b>	<b>402,802</b>
<b>Surplus (+) or deficit (-) this year.....</b>	<b>-14,663</b>	<b>-9,269</b>	<b>-4,852</b>	<b>-3,717</b>	<b>-6,992</b>	<b>-15,125</b>	<b>+6,618</b>	<b>-1,709</b>	<b>+9,055</b>	<b>-7,232</b>	<b>-4,532</b>	<b>+3,655</b>	<b>-48,761</b>	<b>.....</b>
<b>Surplus (+) or deficit (-) prior year.....</b>	<b>-12,980</b>	<b>-7,383</b>	<b>-2,418</b>	<b>-2,663</b>	<b>-6,537</b>	<b>-9,491</b>	<b>+4,469</b>	<b>-6,042</b>	<b>+10,190</b>	<b>-8,678</b>	<b>-5,047</b>	<b>+1,541</b>	<b>.....</b>	<b>-45,040</b>

See footnotes on page 3.

Classification	Current Month			Fiscal Year to Date			Securities held as Investment Current Fiscal Year		
	Receipts	Outlays	Excess	Receipts	Outlays	Excess	Beginning of		Close of This Month
							This Year	This Month	
Trust receipts, outlays, and investments held:									
Federal old-age and survivors insurance .....	\$4,757	\$6,891	-\$2,134	\$73,141	\$77,535	-\$4,394	\$35,410	\$33,053	\$30,967
Federal disability insurance .....	1,266	1,080	187	12,250	12,122	128	4,242	4,168	4,352
Federal hospital insurance .....	1,662	1,426	236	16,680	15,999	681	10,974	11,554	11,757
Federal supplementary medical insurance .....	217	208	9	2,431	742	1,689	2,232	3,990	4,021
Federal employees retirement .....	282	-7,375	7,657	3,237	-3,535	6,772	49,864	48,938	56,532
Federal employees life and health benefits .....		-103	103		-565	565	2,967	3,435	3,537
Federal Deposit Insurance Corp. ....		-21	21		-567	567	7,462	8,011	8,032
Airport and airway .....	125	218	-93	1,326	896	430	3,246	3,776	3,687
General Revenue Sharing .....				6,855	6,823	32			
Highway .....	595	658	-63	6,904	5,384	1,520	10,079	11,651	11,578
Military assistance advances .....		-622	622		-341	341			
Railroad retirement .....	169	347	-178	1,822	1,919	-97	3,182	3,279	3,078
Unemployment .....	163	482	-320	13,850	9,839	4,010	5,987	10,186	9,517
Veterans life insurance .....		13	-13		-296	296	8,540	8,852	8,832
All other trust .....	21	131	-110	131	-23	154	170	262	186
Trust fund receipts and outlays on the basis of Table III and investments held from Table IV-D. ....	9,257	3,334	5,922	138,627	125,933	12,693	144,355	151,156	156,076
Interfund receipts offset against trust fund outlays .....	9,219	9,219	-0-	32,190	32,190	-0-			
Total trust fund receipts and outlays .....	18,476	12,553	5,922	170,817	158,123	12,693			
Federal fund receipts and outlays on the basis of Table III .....	33,334	35,601	-2,267	270,226	331,680	-61,454			
Interfund receipts offset against Federal fund outlays .....	14	14	-0-	169	169	-0-			
Total Federal fund receipts and outlays .....	33,348	35,615	-2,267	270,395	331,849	-61,454			
Total interfund receipts and outlays. ....	-9,233	-9,233	-0-	-39,214	-39,214	-0-			
Net budget receipts and outlays. ....	42,591	38,935	3,655	401,997	450,758	-48,761			

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 \$6,855 million in Federal funds transferred to trust funds for general revenue sharing.

Classification	Budget Receipts and Outlays		
	This Month	Fiscal Year To Date	Comparable Period Prior Fiscal Year
<b>NET RECEIPTS</b>			
Individual income taxes.....	\$20,883,495	\$180,987,774	\$157,626,064
Corporation income taxes.....	9,752,978	59,951,866	54,892,364
Social insurance taxes and contributions:			
Employment taxes and contributions .....	7,853,592	103,893,049	92,209,847
Unemployment insurance .....	162,326	13,849,598	11,311,506
Contributions for other insurance and retirement .....	498,880	5,667,720	5,166,929
Excise taxes .....	1,637,142	18,376,184	17,547,715
Estate and gift taxes.....	445,377	5,285,402	7,326,877
Customs duties.....	609,553	6,572,718	5,150,151
Miscellaneous receipts.....	747,390	7,413,068	6,530,760
Total.....	42,590,733	401,997,377	357,762,213
<b>NET OUTLAYS</b>			
National defense.....	9,006,276	105,191,764	97,277,505
International affairs.....	386,810	6,083,384	5,149,536
General science, space, and technology.....	403,393	4,721,239	4,677,224
Energy .....	933,082	6,045,171	4,659,088
Natural resources and environment.....	1,390,502	11,022,467	9,981,798
Agriculture .....	282,574	7,617,820	5,354,326
Commerce and housing credit.....	466,685	3,340,366	-50,255
Transportation .....	1,571,611	15,461,498	14,632,994
Community and regional development.....	1,434,506	11,254,854	6,564,690
Education, training, employment and social services.....	2,263,216	25,888,708	20,213,096
Health.....	3,595,397	44,529,221	38,838,386
Income security .....	12,755,611	145,639,611	138,050,451
Veterans benefits and services.....	1,442,206	18,987,495	18,044,762
Administration of justice .....	323,828	3,786,230	3,589,073
General government .....	335,415	3,543,845	3,330,794
General purpose fiscal assistance .....	127,367	9,376,959	9,450,107
Interest.....	3,306,171	44,039,594	38,092,026
Undistributed offsetting receipts .....	-1,089,396	-15,772,226	-15,053,215
Total.....	38,935,253	450,757,999	402,802,386

For sale by the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402  
Subscription price \$62.20 per year (domestic), \$15.55 per year additional (foreign mailing), includes all issues of Daily Treasury Statement,  
the Monthly Statement of the Public Debt of the United States and the Monthly Treasury Statement of Receipts  
and Outlays of the U. S. Government. No single copies are sold.



FOR IMMEDIATE RELEASE

October 10, 1978

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TREASURY PUBLISHES THIRD AND  
FOURTH QUARTER TRIGGER PRICE MANUAL

The Treasury Department published a Third and Fourth Quarter Trigger Price Manual which consolidates in one publication all trigger prices and adjustments that have been announced to date.

Because of the number of pages involved, the entire manual is not being published in the Federal Register but will automatically be distributed by the Department of the Treasury to all persons on the Department's steel mailing list.

3-1207(A)

DEPARTMENT OF THE TREASURY

OFFICE OF THE SECRETARY

NOTICE

Publication of Third and Fourth Quarter TPM Manual

The Treasury Department hereby announces the publication of a Trigger Price Manual which incorporates in one volume all trigger prices announced to date. The Manual is being used during the Third and Fourth Quarters of 1978 by U.S. Customs officials at ports of entry. The Manual is being distributed automatically by the Department of the Treasury to all persons on the Department's steel mailing list.

Since January 3, 1978, when trigger prices were first announced on basic steel mill products, numerous additions, adjustments and corrections have been made. Among other changes, trigger price levels have been adjusted to reflect changes in Japanese costs of production and dollar-yen exchange rates. This handbook consolidates all previously published corrections, adjustments and changes that have been generated by, or have come to the attention of, the Treasury Department and Customs Service Headquarters officials involved in administering the Trigger Price Mechanism.

As previously announced, the applicable trigger price for a given imported steel mill product consists of the base trigger price for that product plus appropriate extras, as well as ocean freight, insurance, interest and handling costs. Each of these components is contained in this handbook.

Ocean freight and related costs are differentiated for each of the four major importing regions -- the Atlantic Coast, Gulf Coast, West Coast, and Great Lakes.

The base prices herein are stated in U.S. dollars per metric ton and consist of the Japanese cost of production (including overhead and profit) estimated from Japanese-supplied information and other available evidence. The "extras" lists set forth the prices associated with the additional costs for different specifications, such as width, thickness, chemistry, and surface preparation.

Three types of circumstances commonly arise with respect to extras, and will be treated as follows:

(1) If a product embodies extras which are not listed in the handbook, the product does not become exempt from trigger price scrutiny. Instead, in that circumstance the base trigger price plus whatever applicable extras are listed in the handbook will apply.

(2) If a particular product measurement specification falls between two measurement specifications for which an extra is listed, the higher dollar value extra will be utilized, unless otherwise noted.

(3) If a measurement specification falls above or below the range of measurement specifications for which extras are listed, the product is usually not intended to be covered by trigger prices because it is not commonly made in or imported into the United States.

The trigger prices are published in the sequence of the 32 categories of basic steel mill products defined by the American Iron and Steel Institute. The categories for which there is trigger price coverage may be found in the Table of Contents. TSUSA numbers and duty rates are listed for the most commonly imported items in each of these categories. It should be noted, however, that these TSUSA numbers do not include all the products covered by trigger prices when the various extras are applied.

In addition to consolidating all published trigger prices in one publication, this Manual also makes changes to correct misprints in previous publications or to revise individual trigger prices based on most recent cost information. Below are listed certain changes of significance:

<u>AISI Cat.</u>	<u>Product Description</u>	<u>Description of Action</u>
2	Spheroidized Annealed Wire Rod, 4037, 9254, 52100	Thermal Treatment extras changed to read: Regular Anneal Only      -\$21/MT No Heat Treatment        -\$63/MT
6	Heavy Steel Rails	Extras changed to read: Heat Treating            \$70/MT End Hardening            \$ 3/Rail

Quantity Extras under 200  
thru 100 MT \$4.00 under 100  
thru 50 MT \$5.00 (Previous  
publications gave these as  
a percentage.)

11	Hot Rolled AISI 8620 Bar	Thermal Treatment extras changed to read: Spheroidized Anneal \$ 63/MT Quench and Temper \$116/MT
14	Continuous Buttweld Pipe	Trigger Price for extra strong wall thickness revised to reflect most recent Japanese cost data.
14 & 15	Pipe and Tube Products	Freight Rates Table expanded to include sizes up to 48"
15	Seamless Carbon Steel Pressure Tubing	Added Random Length Deductions
16	Cold Finished Spheroidized Annealed Wire 4037, 9254	Thermal Treatment Extras changed to read: Regular Anneal Only -\$21/MT No Heat Treatment -\$63/MT
23	Electrolytic Tin Plate	Published revised extras tables for Fourth Quarter extras. The 13.77% increase for Fourth Quarter double-reduced extra applies only to double-reduced base weight and coating extras. The 2.39% Fourth Quarter increase for cut length, width and quality applies to both single-reduced and double-reduced ETP.
32	Tin-Free Steel	Published revised extras tables for Fourth Quarter extras. The 14.02% increase for Fourth Quarter double-reduced extra applies only to double-reduced base weight extra. The 1.15% Fourth Quarter increase for cut length, width and quality applies to both single-reduced and double-reduced TFS.

All the adjustments to trigger prices being announced here will be used by the Customs Service to collect information at the time of entry on all shipments of the products covered which are exported after the date of publication of this notice.

Due to the number of pages involved, only the Table of Contents and the substantive changes are published as a part of this Notice.

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Robert H. Mundheim  
General Counsel

Dated: \_\_\_\_\_

# Third and Fourth Quarter

## Trigger Price Handbook

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Rev. August 1978

WIRE RODS-COMMERCIAL QUALITY-AISI 1008 5.5 mm
---

Category AISI

2

Tariff Schedule Number (s) 608.7100-0.25¢/lb. 608.7500-0.375¢/lb.

Base Price per Metric Ton	3rd Quarter \$280	4th Quarter \$294
---------------------------	----------------------	----------------------

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$25	\$ 7	\$ 6
Gulf Coast	26	5	7
Atlantic Coast	31	4	8
Great Lakes	43	4	10

Insurance 1% of base price + extras + ocean freight

Extras	3rd Quarter	4th Quarter
--------	-------------	-------------

Heat Treatment

Regular Anneal \$42/M.T. \$44/M.T.

Spheroidized Anneal \$63/M.T. 66/M.T.

Size and Grade Extra

Sizes 7/32" thru 35/64	NIL	NIL
------------------------	-----	-----

Grade (AISI Number)

1005-1006	\$5	\$5
1008-1020	NIL	NIL
Killed	\$13	\$14

WIRE RODS-WELDING QUALITY-AISI 1008
-------------------------------------

Category AISI 2

Tariff Schedule Number (s) 608.7100-0.25¢/lb. 608.7500-0.375¢/lb

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$281	\$295

Charges to CIF	Ocean Freight	Handling	Interst
West Coast	\$25	\$ 7	\$ 6
Gulf Coast	26	5	7
Atlantic Coast	31	4	8
Great Lakes	43	4	10

Insurance 1% of base price + extras + ocean freight

Extras

Heat Treatment	3rd Quarter	4th Quarter
Regular Anneal-\$42/M.T.		\$44/M.T.
Spheroidized Anneal-\$63/M.T.		\$66/M.T.
Size Extra	NIL	NIL
Grade Extra	NIL	NIL

Rev. August 1978

WIRE RODS-HIGH CARBON-AISI 1065 5.5 mm
--

Category AISI 2

Tariff Schedule Number (s) 608.7100-0.25¢/lb. 608.7500-0.375¢/lb

3rd Quarter

4th Quarter

Base Price per Metric Ton \$326

\$342

Charges to CIF

Ocean Freight

Handling

Interest

West Coast

\$25

\$ 7

\$ 7

Gulf Coast

26

5

9

Atlantic Coast

31

4

9

Great Lakes

43

4

11

Insurance 1% of base price + extras + Ocean freight

Extras

Heat Treatment

3rd Quarter

4th Quarter

Regular Anneal-\$42/M.T.

\$44/M.T.

Spheroidized Anneal-\$63/M.T.

66/M.T.

WIRE RODS - HIGH CARBON QUALITY

Extras Per Metric Ton

Sizes 7/32" Thru 35/64" NIL

Grade

AISI NUMBER	3rd Quarter Extras	4th Quarter Extras
1044, 1059, 1064, 1069, 1074, 1075, 1078, 1086. 1095,	Minus \$ 3	Minus \$ 3
1029, 1030, 1035, 1037, 1038, 1039, 1040, 1042, 1043, 1045, 1046, 1049, 1050, 1053, 1055, 1060, 1061, 1065, 1070, 1080, 1084, 1085, 1090,	Base	Base
1048, 1051, 1066, 1072,	\$ 3	\$ 3
1027, 1036, 1041, 1047, 1052.	\$ 9	\$ 9
Tire Cord Quality	\$32	\$34

Rev. August 1978

WIRE RODS-COLD HEADING QUALITY-AISI 1038 12.7 mm
--

Category AISI 2

Tariff Schedule Number (s) 608.7100-0.25¢/lb. 608.7500.0.375¢/lb.

	3rd Quarter		4th Quarter
Base Price per Metric Ton	\$337		\$353
Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$25	\$ 7	\$ 7
Gulf Coast	26	5	9
Atlantic Coast	31	4	9
Great Lakes	43	4	11

Insurance 1% of base price + extras + ocean freight

## Extras

	3rd Quarter	4th Quarter
Heat Treatment		
Regular Anneal \$42/M.T.		\$44/M.T.
Spheroidized Anneal \$63/M.T.		\$66/M.T.

Note: All extras on p. 2-6 are to be increased 4.86% for all wire rods exported to the United States on or after October 1, 1978.

WIRE RODS - COLD HEADING QUALITY

Extra (Sizes/Grade) Per Metric Ton

GRADE (AISI NUMBER)	SIZES			
	7/32" thru 35/64	over 35/64" to under 39/64"	39/64" to under 3/4"	3/4" and over
1005, 1006, 1008 1010, 1011, 1012 1013 (Rimmed Steel)	<u>Minus</u> \$23	\$31	\$17	NIL
1015, 1016, 1017 1018, 1019, 1020 1021, 1022, 1023, 1025, 1026 (Rimmed Steel)	Minus \$23	\$42	\$30	\$ 8
1005, 1006, 1008 1010, 1011, 1012, 1013 (Killed Steel)	<u>Minus</u> \$ 7	\$43	\$30	\$ 9
1015, 1016, 1017 1018, 1019, 1020 1021, 1022, 1023 1025, 1026	<u>Minus</u> \$6	\$55	\$42	\$21
1029, 1030, 1035 1037, 1038, 1039 1040, 1042, 1043	NIL	\$43	\$31	\$ 9
10B18 10B21 10B22 10B23 10B30	20 24 21	77 81 65	64 69 51	41 45 31
1110	Minus 5	43	30	9
1522 1524 1541	NIL 12 9	69 53	55 40	33 19
15B41	32	75	62	40

## Tolerance Extra

If bar tolerances are specified or required for over 35/64" to under 3/4" ... Plus \$11/M.T.

Note: All above extras are to be increased 4.86% on all wire rods exported to the United States on or after 10-1-78.

Rev. August, 1978

WIRE RODS - COLD FINISHED BAR QUALITY
---------------------------------------

Category AISI 2

Tariff Schedule Number (s) 608.7100 -0.25¢/lb. 608.7500-075¢/lb.

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$ 337	\$353
Charges to CIF	Ocean Freight	Handling Interest
West Coast	\$25	\$ 7 \$ 7
Gulf Coast	26	5 9
Atlantic Coast	31	4 9
Great Lakes after	43	4 11

Insurance 1% of base price + extras +Ocean freight

Extras	3rd Quarter	4th Quarter
Regular Anneal	\$42/M.T.	\$44/M.T.
Spheroidized Anneal	\$63/M.T.	\$66/M.T.

Note: All size and grade extras on p. 2-8 are to be increased 4.86% on all wire rods shipped to the United States on or after 10-1-78.

WIRE RODS-COLD FINISHED BAR QUALITY

Extras (Sizes / Grade) Per Metric Ton

GRADE (AISI NUMBER)	SIZES			
	7/32" Thru 35/64"	Over 35/64" to to Under 39/64"	39/64" To Under 3/4"	3/4" and Over
1015, 1016, 1017 1018, 1019, 1020, 1021, 1022, 1023 1025, 1026	<u>Minus</u> \$36	\$22	\$ 9	<u>Minus</u> \$11
1029, 1030, 1035 1037, 1038, 1039 1040, 1042, 1043 1044, 1045, 1046 1049 1050	<u>Minus</u> \$19	\$23	\$ 9	<u>Minus</u> \$ 9
1117 1141 1144 1151	Minus \$ 5 2 2 4	\$51 38 43 45	\$38 25 30 32	\$17 5 9 12
1212, 1213, 1215	<u>Minus</u> \$ 2	\$43	\$30	\$ 9
10L18 10L38, 10145	<u>Minus</u> \$16 NIL	\$52 43	\$39 30	\$18 9
11L17 11L37	\$22 15	\$81 57	\$69 44	\$45 23
12L14, 12L15	\$15	\$60	\$47	\$25

Tolerance Extra

If Bar Tolerances are specified or required for over 35/64" to under 3/4" -- plus \$11 per metric ton.

Note: all above extras are to be increased by 4.86% for wire rods shipped to the U.S. on or after 10-1-78.

Rev Aug , 1978

Spheroidized Annealed, Mo Alloy Steel Wire Rod AISI 4037, 5.5mm to 13mm
---

Category AISI 2

Tariff Schedule Number (s) 608.7880 0.375¢ per lb. + 4% + additional duties (see Headnote 4, TSUS)

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$492	\$516

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$58	\$7	\$10
Gulf Coast	69	5	13
Atlantic Coast	72	4	14
Great Lakes	79	4	17

Insurance 1% of base price + extras + ocean freight

## Extras

1. Grade Extras
2. Size Extras
3. Thermal Treatment Extras
4. Aircraft Quality Extra
5. Bearing Quality Extra
6. Vacuum Degassed Extra

Note: All above extras on p 2-10 are to be increased by 4.86% for all rods exported to the U.S. on or after 10-1-78.

Note: All above extras are to be increased by 4.86% for all rods exported to the United States on or after October 1, 1978.

SPHEROIDIZED ANNEALED, MO ALLOY STEEL WIRE ROD, AISI 4037, 5.5 mm to 13 mm

1. Grade Extras (per MT)

AISI, SAE NUMBER	Extra (\$/MT)	AISI, SAE Number	Extra (\$/MT)
1330, 1335, 1340, 1345	Minus 42	4820	185
4024, 4028	4	5046	Minus 51
4012, 4023, 4027 4032, 4042, 4047	NLL	5115, 5120, 5130, 5132, 5135	Minus 39
4118, 4130	NLL	5140	Minus 41
4135, 4137, 4140, 4142, 4145, 4147, 4150	2	6118	4
4161	3	8115	22
4320	94	8615, 8617	37
4340	93	8620	21
		8622, 8625, 8627	21

4422, 4427	27		8630, 8637, 8640, 8642, 8645, 8650, 8655, 8660	17
4615, 4617	91			
4620	89		8720	33
4626	42		8740	25
4718	107		8822	41
4720	73		94B15, 94B17	42
4815, 4817	187			

Boron Extra (if specified) \$21/MT

Note: All above extras are to be increased by 4.86% for all rods exported to the United States on or after October 1, 1978.

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2. Size Extras	3rd Quarter	4th Quarter
<u>Size</u>	<u>Extra (\$/MT)</u>	<u>Extra (\$/MT)</u>
Over 13 mm but less than 19 mm	Minus 26	Minus 27
1 inch & over	Minus 37	Minus 39
3. Thermal Treatment Extras	<u>Extra (\$/MT)</u>	<u>Extra (\$/MT)</u>
Regular Anneal Only	Minus \$21/MT	Minus \$22/MT
No heat treatment	Minus \$63/MT	Minus \$66/MT
4. Aircraft Quality Extra	\$26/MT	\$27/MT
5. Bearing Quality Extra	\$26/MT	\$27/MT
6. Vacuum Degassed Extra	\$12/MT	\$13/MT
(This extra does not apply when requirements are subject to extra for aircraft and/or bearing quality.)		

Rev. Aug , 1978

Spheroidized Annealed, Si-Mn-Cr High Carbon Steel Wire Rod,  
AISI 9254, 5.5mm to 13mm

Category AISI 2

Tariff Schedule Number (s) 608.7880 0.375¢ per lb. + 4% + additional  
duties (see Headnote 4, TSUS)

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$471	\$494

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$58	\$7	\$10
Gulf Coast	69	5	13
Atlantic Coast	72	4	13
Great Lakes	79	4	16

Insurance 1% of base price + extras + ocean freight

## Extras

1. Grade Extras
2. Size Extras
3. Thermal Treatment Extras
4. Vacuum Degassed Extra

SPHEROIDIZED ANNEALED, Si-Mn-Cr HIGH CARBON STEEL WIRE ROD,  
AISI 9254. 5.5 mm to 13 mm

1. Grade Extras (per MT) 3rd Quarter      4th Quarter

AISI NUMBER	Extra (\$/MT)
9260	Minus 19
5150, 5155, 5160	Minus 53
6150	10

Minus 20  
Minus 56  
  
10

Boron Extra (if specified) \$21/MT

2. Size Extras

Size	Extra (\$/MT)	Extra (\$/MT)
Over 13 mm but less than 19 mm	Minus 26	Minus \$27
19 mm & over	Minus 37	Minus \$39

3. Thermal Treatment Extras

Extra (\$/MT)	Extra (\$/MT)
Regular Anneal Only	Minus \$22/MT
No heat treatment	Minus \$66/MT
4. Vacuum Degassed Extra	\$13/MT

Regular Anneal Only

No heat treatment

4. Vacuum Degassed Extra

\$12/MT

Spheroidized Annealed, High Carbon Cr Steel Wire Rod AISI 52100,  
5.5mm to 13mm

Category AISI 2

Tariff Schedule Number (s) 608.7865 0.375¢ per lb. + 4% + additional  
duties (see Headnote 4, TSUS)

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$541	\$567

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$58	\$7	\$11
Gulf Coast	69	5	15
Atlantic Coast	72	4	15
Great Lakes	79	4	18

Insurance 1% of base price + extras + ocean freight

Extras

1. Grade Extras
2. Size Extras
3. Thermal Treatment Extras



WIDE FLANGE BEAMS AND BEARING PILING-ASTM A36 12" x 12"
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Category AISI 3

Tariff Schedule Number (s)	609.8005	0.1¢ per lb.
	609.8015	0.1¢ per lb.
	609.8200	0.1¢ per lb. +2% + additional duties (see Headnote 4, TSUS)

Base Price per Metric Ton	3rd Quarter	4th Quarter
	\$273	\$286

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$27	\$7	\$5
Gulf Coast	30	5	7
Atlantic Coast	34	4	7
Great Lakes	47	4	9

Insurance 1% of base price + extras + ocean freight

xtras

1. Size Extras
2. Grade Extras
3. Cut Length Extras
4. Splitting Extras

Note; All extras om pages 3-2 through 3-5 are to be increased by 4.86% for all beams exported to the U.S. on or after 10-1-78.

## 1. Size Extras

Series	lbs/foot	Extra \$/MT	Series	lbs/Foot	Extra \$/MT
4 x 4	13	40	16 x 5 1/2	26,31	14
5 x 5	16-18.5	37	16 x 7	36-50	6
6 x 4	8.5	54	16 x 8 1/2	58-78	NIL
6 x 4	12,16	42	16 x 11 1/2	88-96	NIL
6 x 6	15.5	27	18 x 6	35,40	15
6 x 6	20,25	19	18 x 7 1/2	45-60	5
8 x 4	10	44	18 x 8 3/4	64-85	NIL
8 x 4	13,15	32	18 x 11 3/4	96-114	NIL
8 x 5 1/4	17.20	22	21 x 6 1/2	44.49	10
8 x 6 1/2	24.28	16	21 x 8 1/4	55-73	NIL
8 x 8	31.67	12	21 x 9	82.96	NIL
10 x 4	11.5	38	21 x 13	112-142	NIL
10 x 4	15-19	33	24 x 7	55.61	10
10 x 5 3/4	21-29	19	24 x 9	68-94	NIL
10 x 8	33-45	12	24 x 12	100-120	NIL
10 x 10	49-112	5	24 x 14	130-160	11
12 x 4	14	41	27 x 10	84-114	NIL
12 x 4	16.5-22	33	27 x 14	145-177	11
12 x 6 1/2	27-36	14	30 x 15	172-210	17
12 x 8	40-50	7	33 x 11 1/2	118-152	12
12 x 10	53,58	5	33 x 15 3/4	200-240	18
12 x 12	65-190	NIL	36 x 12	135-194	12
14 x 5	22.26	19	36 x 16 1/2	230-300	18
14 x 6 3/4	30.38	10			
14 x 8	43-53	5			
14 x 10	61.74	NIL			
14 x 12	78,84	NIL			
14 x 14 1/2	87-136	NIL			
14 x 16	142-426	NIL			
14 x 16	455	76			
14 x 16	500	80			
14 x 16	550	81			
14 x 16	665	84			
14 x 16	730	88			

## 2. Grade Extras (\$/M.T.)

ASTM	Web Thickness In Inches		
	Thru 1-7/8	Over 1-7/8 Thru 2-3/8	Over 2-3/8
A242	117	--	--
A588	117	129	129
A441	52	94	94
		--	--
G42	44	90	90
G50	52	94	--
G60	70	--	--
A36	0	34	34
A690	81	--	--

Note: All above extras are to be increased by 4.86% for all beams exported to the United States on or after October 1, 1978.

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## WIDE FLANGE BEAMS

(3) Cut Length Extras	
Length	\$/M.T.
From 10 Up to 20 Feet	11
From 20 Up to 30 Feet	7
From 30 Up to 40 Feet	5
40 Feet	Nil
Over 40 Up to 50 Feet	4
50 Feet	Nil
Over 50 Up to 60 Feet	5
60 Feet	Nil
Over 60 Thru 70 Feet	5

(4) Splitting Extras		
Lbs./Foot		\$/M.T.
Over	Thru	
8	12	38
12	15	33
15	22	30
22	45	19
45	100	15
100	150	12
150	200	10

Bearing Piling (H Piles)

## Size Extra

<u>Series</u>	<u>Lb/Ft</u>	<u>\$/MT Extra</u>
8x8	36	12
10x10	42.57	5
12x12	53.74	Nil or Base
14x14½	73-117	Nil

Grade Extra: See Wide Flange grade extras  
for 1-7/8" Web Thickness

Cut Length Extra: Same as Wide Flange

Note: All above extras are to be increased by 4.86% for all beams exported to the U.S. on or after 10-1-78.

## SIZE EXTRAS JUNIOR BEAMS

<u>Series</u>	<u>lbs/ft</u>	<u>Extra \$/MT</u>
6"	4.5#	54
8"	6.5#	40
10"	8#	38
10"	9#	38
12"	10.8#	35
12"	11.8#	35

Note: All above extras are to be increased by 4.86% for all beams exported to the United States on or after October 1, 1978.

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## STANDARD CARBON STEEL CHANNELS, ASTM A36

Category AISI 3,9

Tariff Schedule Number (s) 609.8041 0.1 ¢/lb.  
 609.8070 0.1 ¢/lb.

Base Price per Metric Ton      3rd Quarter      4th Quarter  
    \$239      \$251

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$23	\$7	\$4
Gulf Coast	26	5	5
Atlantic Coast	29	4	5
Great Lakes	35	4	7

Insurance 1% of base price + extras + ocean freight

Extras

Size Extra

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SIZE EXTRAS  
(\$/MT)

SIZE	3rd Quarter EXTRA	4th Quarter Extra
C1	11.	12
C3	BASE	Base
C4	BASE	Base
C6	11.	12
C8	17.	18
C10	17.	18
C12	23.	24
C15	23.	24

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UNEQUAL LEG CARBON STEEL ANGLES ASTM A-36
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Category AISI 3,9

Tariff Schedule Number (s) 609.8035 0.1 ¢/lb.  
 609.8050 0.1 ¢/lb.

3rd Quarter

4th Quarter

Base Price per Metric Ton \$252

\$264

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$23	\$7	\$4
Gulf Coast	26	5	5
Atlantic Coast	29	4	5
Great Lakes	35	4	7

Insurance 1% of base price + extras + ocean freight

extras

Size Extra

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SIZE EXTRAS  
(\$/MT)

SIZE	EXTRAS	3rd Quarter	4th Quarter
		Extras	
3" x 2"	11.		12
3-1/2" x 3"	11.		12
4" x 3"	BASE		Base
5" x 3"	BASE		Base
6" x 3-1/2"	11.		12
6" x 4"	11.		12
8" x 4"	11.		12

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EQUAL LEG CARBON STEEL ANGLES ASTM A36
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Category AISI 3,9

Tariff Schedule Number (s) 609.8035 0.1 ¢/lb.  
 609.8050 0.1 ¢/lb.

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$227	\$238

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$23	\$7	\$4
Gulf Coast	26	5	5
Atlantic Coast	29	4	5
Great Lakes	35	4	6

Insurance 1% of base price + extras + ocean freight

Extras

Size Extra

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**SIZE EXTRAS  
(\$/MT)**

	3rd Quarter	4th Quarter
<b>SIZE</b>	<b>EXTRA</b>	
1" x 1"	17 .	18
1-1/2" x 1-1/2"	8 .	8
2" x 2"	BASE	Base
3" x 3"	BASE	Base
4" x 4"	BASE	Base
5" x 5"	17 .00	18
6" x 6"	28 .00	29
8" x 8"	28 .00	29



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## STANDARD CARBON STEEL "I" BEAMS ASTM A36

Category AISI 3,9

Tariff Schedule Number (s) 609.8045 0.1 ¢/lb.  
 609.8090 0.1 ¢/lb.

3rd Quarter  
 Base Price per Metric Ton \$277

4th Quarter  
 \$290

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$23	\$7	\$4
Gulf Coast	26	5	6
Atlantic Coast	29	5	6
Great Lakes	35	4	7

Insurance 1% of base price + extras + ocean freight

## Extras

1. Size Extra

SIZE EXTRAS  
(\$/MT)

	3rd Quarter	4th Qtr.
SIZE	EXTRA	Extra
S12 x 31.8 lb./ft	Base	Base
S8 x 18.4 lb./ft	Base	Base
S6 x 12.5 lb./ft	11.	12
S4 x 7.7 lb./ft	11.	12

Rev. August 1978

SHEET PILING -ASTM A 328 ARCH WEB PDA-27
--

Category AISI 4

Tariff Schedule Number (s)	609.9600	0.1¢ per lb.
	609.9800	0.1¢ per lb.
		+ 2% Ad Val + additional duties (See Headnote 4)

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$308	\$323

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$27	\$7	\$ 6
Gulf Coast	30	5	7
Atlantic Coast	34	4	8
Great Lakes	47	4	10

Insurance 1% of base price + extras + ocean freight

## Extras

1. Quality Extras
2. Shape Extras
3. Length Extras

Note: All extras on page 4-2 are to be increased by 4.86% for sheet piling exported to the United States on or after October 1, 1978.

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## EXTRA FOR SHEET PILING

		\$/MT
1. QUALITY	SY 30 (EQUIVALENT TO ASTM A-328) SY36	BASE + 11
	SY40	+ 21
	A690/MARINE TYPE	+ 90
2. SHAPE		
STRAIGHT WEB	F, FA	+ 11
ARCH WEB	1A,U5,5,5L,6L	+ 11
	OTHERS (EQUIVALENT TO PDA-27)	BASE
ZEE	Z14,Z25,Z32,Z38,Z45	+ 11
FABRICATED CONNECTIONS		SUBJECT TO NEGOTIATION
H TYPE		+ 32
3. LENGTH	3M UNDER	SUBJECT TO NEGOTIATION
	3M TO UNDER 6M	+ 11
	6M & OVER	BASE
4. SURFACE TREATMENT (PROTECTIVE COATING)	.	SUBJECT TO NEGOTIATION
5. HANDLING HOLES		SUBJECT TO NEGOTIATION
6. QUANTITY		NONE

Note: All above extras to be increased by 4.86% for sheet piling exported to the United States on or after October 1, 1978.

STEEL PLATES - ASTM-A-36 1/2" x 80" x 240"

Category AISI 5

Tariff Schedule Number(s) 608.8415 7 1/2%  
 608.8525 9 1/2% + ADDITIONAL DUTIES (SEE HEADNOTE 4  
 608.8720 8% TSUS)  
 608.8825 10% + ADDITIONAL DUTIES (SEE HEADNOTE 4 TSUS)  
 Base Price per Metric Ton 3rd Quarter 4th Quarter  
 \$281 \$295

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$25	\$7	\$ 6
Gulf Coast	25	5	8
Atlantic Coast	31	4	8
Great Lakes	31	4	10

Insurance 1% of base price + extras + ocean freight

#### Extras

1. Width/Thickness Extra
2. Specification Extra
3. Other Extras

Killed	Normalize & Temper
Fine grain	UST A435, A578 L1
Charpy	A578 L2
Normalize	Checker
Quench & Temper	Pickled & Oiled
	Others

Note: All extras on pages 5-2 through 5-10 are to be increased by 4.86% for all plates exported on or after October 1, 1978.

1. WIDTH/THICKNESS EXTRAS

							(\$/MT)				
THICK- NESS WIDTH							OVER				
	3/16" to under 1/4"	1/4" to under 5/16"	5/16" to under 3/8"	3/8" to under 1/2"	1/2" to under 1"	1" thru 1-3/16"	1-3/16" thru 1-3/8"	1-3/8" thru 1-1/2"	1-1/2" thru 3"	3" thru 6"	6" thru 12"
OVER 36" thru 48"	28	23	17	13	10	13	15	19	40	42	44
OVER 48" thru 60"	24	18	14	9	6	8	11	15	33	37	40
OVER 60 thru 80	22	15	12	5	Nil	4	6	11	24	28	31
OVER 80" thru 90"	25	16	10	6	2	6	10	14	24	28	31
OVER 90" thru 100"	31	21	14	11	5	11	14	17	27	31	33
OVER 100" thru 110"	36	21	19	15	10	15	18	21	28	32	35
OVER 110" thru 120"	46	30	24	19	15	18	22	24	32	36	39
OVER 120" thru 130"	57	40	28	23	18	21	26	31	37	41	42
OVER 130" thru 140"	68	51	39	30	25	26	31	35	44	46	49
OVER 140" thru 150"		61	51	37	31	31	35	39	51	54	57
OVER 150" thru 170"			109	102	89	89	89	89	30		

Note: (1) Extra for length: NIL

Note: All above extras are to be increased by 4.86% for all plates exported to the United States on or after October 1, 1978.

1 - WIDTH/THICKNESS EXTRAS  
(CONT'D)

THICK- NESS WIDTH								OVER (\$/MT)			
	3/16" to under 1/4"	1/4" to under 5/16"	5/16" to under 3/8"	3/8" to under 1/2"	1/2" to under 1"	1" thru 1-3/16"	1-3/16" thru 1-3/8"	1-3/8" thru 1-1/2"	1-1/2" thru 3"	3" thru 6"	6" thru 12"
OVER 170" thru 180"				111	103	103	103	103			
OVER 180" thru 185"					109	109	109	109			
OVER 185" thru 200"					112	112	112	112			

Note: (1) Extra for length: NIL

Note: All above extras are to be increased by 4.86% for all plates exported to the United States on or after October 1, 1978.

2 - SPECIFICATION EXTRA

Specification Extra	Thickness	\$/MT
ASTM & ASME		
A36	1-1/2" or less over 1-1/2"	Nil 21
A283 Gr. A, B, C, D	1-1/2" or less over 1-1/2"	Nil 21
A 285 Gr. A, B, C,	1-1/2" or less over 1-1/2"	18 21
A515 Gr. 55, 60, 65, 70 Gr. 55, 60, 65 Gr. 70 Gr. 55	1-1/2" or less over 1-1/2" up to 2" over 2" up to 8" over 2" up to 8" over 8" up to 12"	39 42 43 45 43
A516 Gr. 55, 60 Gr. 65, 70 Gr. 55, 60, 65, 70 Gr. 55, 60, 65, 70 Gr. 55	1/2" or less 1/2" or less over 1/2" up to 1-1/2" over 1-1/2" up to 8" over 8"	45 47 47 51 52
A455 TYPE 1 TYPE 2	- -	26 47
A537, Class 1	5/16" or less over 5/16" up to 1/2" over 1/2" up to 1" over 1" up to 1 1/2" over 1-1/2" up to 3" over 3" up to 4"	179 168 156 154 162 160

Note: All above extras are to be increased by 4.86% for all plates exported to the United States on or after October 1, 1978.

Specification	Thickness	\$/MT
A537, Class 2	5/16" or less	244
	over 5/16" up to 1/2"	219
	over 1/2" up to 1"	211
	over 1" up to 1-1/2"	209
	over 1-1/2" up to 3"	217
	over 3" up to 4"	215
A612 (M128B)	3/4" or less	72
	over 3/4" up to 1"	77
A242	1-1/2" or less	100
A588	1-1/2" or less	100
	over 1-1/2"	102
A441	1-1/2	51
	over 1-1/2"	74
A440	1-1/2" or less	51
	over 1-1/2"	74
A572 Gr. 42 Gr. 45 Gr. 50 Gr. 55 Gr. 60 Gr. 65	1-1/2" or less	25
	over 1-1/2"	49
	1-1/2" or less	36
	over 1-1/2"	59
	1-1/2" or less	40
	over 1-1/2"	63
	1-1/2" or less	44
	1-1/2" or less	64
A633 Gr. A	1-1/2" or less	75
	5/16" or less	166
	over 5/16" up to 1/2"	152
	over 1/2" up to 1"	142
	over 1" up to 1-1/2"	142
	over 1-1/2" up to 3"	142

Note: All above extras are to be increased by 4.86% for all plates exported to the United States on or after October 1, 1978.

Specification	Thickness	\$/MT
A633 Gr. C	5/16" or less over 5/16" up to 1/2" over 1/2" up to 1" over 1" up to 1 1/2" over 1-1/2" up to 3" over 3" up to 8"	184 170 160 158 160 187
Gr. E	5/16" or less over 5/16" up to 1/2" over 1/2" up to 1" over 1" up to 1 1/2" over 1-1/2" up to 3" over 3" up to 8"	204 200 180 178 180 207
AR AR300, 350 (Q & T Extra included)		65 237
A202 Gr. A Gr. B	All Thickness All Thickness	137 116
A203 Gr. A	2" or less over 2" up to 4" over 4" up to 6"	216 222 211
Gr. B	2" or less over 2" up to 6"	216 211
Gr. D Gr. E	4" or less 4" or less	301 295
A204 Gr. A	2" or less to 6" over 2" up	142 132
Gr. B	1" or less over 1" up to 6"	142 132

Note: All above extras are to be increased by 4.86% for all plates exported to the United States on or after October 1, 1978.

Specification	Thickness	\$/MT
A387 Gr. 2 Gr. 11 Gr. 12 Gr. 21 Gr. 22	All Thickness All Thickness All Thickness All Thickness All Thickness	174 211 179 396 364
A533 Gr. A Gr. B Gr. C Gr. D	All Thickness All Thickness All Thickness All Thickness	142 179 195 164
A553 Type 1 Type 2	All Thickness All Thickness	781 686
AR360 (Q & T Extra included)	1-1/2" or less	248
A514 (Q & T Extra included)  Type B   Type F    Type H	5/16" or less over 5/16" up to 1/2" over 1/2" up to 1" over 1" up to 1-1/4"  5/16" or less over 5/16" up to 1/2" over 1/2" up to 1" over 1" up to 3" over 3" up to 4"  5/16" or less over 5/16" up to 1/2" over 1/2" up to 2"	322 285 280 274  438 401 396 390 395  369 332 322

Note: All above extras are to be increased by 4.86% for all steel plates exported to the United States on or after Oct. 1, 1978.

Specification	Thickness	\$/MT
A517 (Q & T Extra included)		
Gr. B	5/16" or less over 5/16" up to 1/2" over 1/2" up to 1-1/4"	338 306 295
Gr. F	5/16" or less over 5/16" up to 1/2" over 1/2" up to 1" over 1" up to 3" over 3" up to 4" over 4" up to 8"	353 422 417 411 417 438
Gr. H	5/16" or less over 5/16" up to 1/2" over 1/2" up to 1" over 1" up to 2"	385 353 343 338
A225 Gr. A, B	4" or less	121
A302 Gr. A Gr. B	1" or less over 1" up to 4" 1" or less over 1" up to 2"	148 137 158 142
AB5 & A131 Gr. A Gr. B Gr. CS (Normalized) Gr. D (Normalized)	1/2" or less over 1/2" up to 1-1/2" 1" or less 1/2" or less over 1/2" up to 2" 1/2" or less over 1/2" up to 2"	4 11 11 116 100 116 106

Note: All above extras are to be increased by 4.86% for all plates exported to the United States on or after October 1, 1978.

Specification	Thickness	\$/MT
AB5 & A131 (Cont'd)		
Gr. E (Normalized)	1/2" or less	137
	over 1/2" up to 2"	127
Gr. DS (as Rolled Normalized)	1-3/8" or less	42
	over 1-3/8" up to 2"	100
Gr. AH32	1/2" or less	38
	over 1/2" up to 1-1/2"	59
	over 1-1/2" up to 2"	61
Gr. AH36	1/2" or less	46
	over 1/2" up to 1-1/2"	68
	over 1-1/2" up to 2"	70
Gr. DH32 (Killed Normalized)	1/2" or less	137
	over 1/2" up to 2"	127
Gr. DH36 (Killed Normalized)	1/2" or less	137
	over 1/2" up to 2"	127
Gr. EH32 (Killed Normalized)	1/2" or less	158
	over 1/2" up to 2"	137
Gr. EH36 (Killed Normalized)	1/2" or less	158
	over 1/2" up to 2"	137
<u>SAE</u>		
1345	-	74
4130	-	111
4140	-	116
4150	-	116
4340	-	227
5150	-	79
5160	-	79
6150	-	132

Note: All above extras are to be increased by 4.86% for all plates exported to the United States on or after October 1, 1978.

Specification	Thickness	\$/MT
<u>SAE</u> (Cont'd)		
8615	-	158
8617	-	158
8620	-	142
9260	-	111
Other Specification Extra	To be specified on SSSI	

Note: All above extras are to be increased by 4.86% for all plates exported to the United States on or after October 1, 1978.

### 3 - OTHER EXTRAS

Description	\$/MT
Killed	21
Fine Grain	6
Charpy	
+40°F & up	
L	16
T	21
L & T	26
under +40°F	
L	21
T	26
L & T	32
Normalize	74
Quench & Temper	127
Normalize & Temper	127
U.S.T.	
A578 L2, (over 1/2")	42
A435, A578 L1 (9" or higher grid) (over 3/4")	16
(under 9" grid or 100% scanning) (over 3/4")	26
Checker	21
Pickled & Oiled	
Up to 0.172" Thickness	21
Over 0.172" Thickness	14

#### Others

Note: All above extras are to be increased by 4.86% for all plates exported to the United States on or after October 1, 1978.

To be specified on  
SSSI

Heavy Carbon Steel Rails    A.R.E.A. 115, 132 or 136

Category AISI    6

Tariff Schedule Number(s)    610.2010    0.05¢ per lb.

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$314	\$329

Charges to CIF	Ocean Freight			Handling	Interest
	<u>40'</u>	<u>50'</u>	<u>60'</u>		
West Coast	\$26	\$30	\$33	\$8	\$6
Gulf Coast	27	30	33	5	8
Atlantic Coast	35	38	41	4	8
Great Lakes	47	50	—	4	10

Insurance 1% of base price + extras + ocean freight

Extras

Quality, Length, Quantity

General Extras for Heavy Rails

3rd Quarter      4th Quarter  
Extra \$/M.T.

1. Quality

Carbon	base	base
Heat Treating (Equivalent to head hardening)	70	73
End Hardening	3 per rail	3 per rail

2. Length

Standard Length with Shorts (up to 11%)	base	base
Length varying by 1M from 25M to 70M.		
Standard Length without Shorts		
Length varying by 1' from 82' to 25'	inquire	inquire

3. Quantity

200 M.T. and over	base	base
under 200 thru 100 M.T.	4	4
under 100 thru 50 M.T.	5	5
under 50	inquire	inquire

Light Rails 60 lbs./yd.

Category AISI 6

Tariff Schedule Number(s) 610.2020 0.05¢ per lb.

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$308	\$323

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$33	\$9	\$6
Gulf Coast	35	9	8
Atlantic Coast	38	9	8
Great Lakes	44	9	10

Insurance 1% of base price + extras + ocean freight

Extras

Size

LIGHT RAIL EXTRAS

Size (lbs/yd)

% of Base Price Extra

60

0.0%

45

2.0%

40

3.9%

30

3.9%

25

5.9%

20

5.9%

Tie Plates

Category AISI 6

Tariff Schedule Number(s) 610.2500 0.125¢ per lb.

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$315	\$330

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$39	\$8	\$6
Gulf Coast	39	1	8
Atlantic Coast	49	8	9
Great Lakes	54	8	11

Insurance 1% of base price + extras + ocean freight

Extras

None

PLAIN AND DEFORMED CARBON STEEL CONCRETE REINFORCING BARS ASTM A615

Category AISI 8

Tariff Schedule Number(s) 608.4000 7 1/2%  
608.4100 7 1/2%  
3rd Quarter 4th Quarter  
Base Price per Metric Ton \$223 \$234

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$23	\$7	\$4
Gulf Coast	26	5	5
Atlantic Coast	29	4	5
Great Lakes	35	4	6

Insurance 1% of base price + extras + ocean freight

Extras

1. Size Extras
2. Grade Extras

---

SIZE AND GRADE EXTRAS  
(\$/MT)

---

	3rd Quarter	4th Quarter
<u>GRADE 40</u>	<u>EXTRA</u>	<u>Extra</u>
#3	14	15
#4	8	8
#6 THROUGH #10	BASE	BASE
#11 THROUGH #12	14	15
<u>GRADE 60</u>		
#3	28	29
#4	23	24
#5 THROUGH #10	15	16
#11 THROUGH #12	28	29

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HOT ROLLED CARBON STEEL BAR SIZE CHANNEL ASTM A36
---

Category AISI 9

Tariff Schedule Number (s) 608.8070 - 0.1¢ per lb.

Base Price per Metric Ton	3rd Quarter		4th Quarter	
	\$334		\$350	
Charges to CIF	Ocean Freight	Handling	Interest	
West Coast	\$23	\$7	\$6	
Gulf Coast	26	5	7	
Atlantic Coast	29	4	7	
Great Lakes	35	4	9	

Insurance 1% of base price + extras + ocean freight

## Extras

## 1. Size Extras

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SIZE EXTRA  
(\$/MT)

3rd Quarter

4th Quarter

SIZE	EXTRA	
1" x 1/2" x 1/8"	57	60
1-1/4" x 1/2" x 1/8"	34	36
1-1/2" x 1/2" x 1/8"	34	36
2" x 1" x 1/8"	11	12
2" x 1" x 3/16"	BASE	BASE

---

ROLLED CARBON BARS: SPECIAL QUALITY-AISI 1045 40 mm round x 4 meters
---

Category AISI 10

Tariff Schedule Number (s) 608.4640-7%

	3rd Quarter	4th Quarter	
Base Price per Metric Ton	\$359	\$376	
Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$24	\$7	\$ 7
Gulf Coast	26	5	10
Atlantic Coast	29	4	10
Great Lakes	35	4	12

Insurance 1% of base price + extras + ocean freight

Extras

Size Extras

Note: All extras on page 10-2 are to be increased by 4.86% for all bars exported on or after October 1, 1978.

HOT ROLLED CARBON STEEL BARS (CUT LENGTH 4-12 METERS SPECIAL QUALITY)
--

Extra (Sizes/Grade) (\$/MT)

GRADE (AISI NUMBER)	SIZES					
	Over 35/64" To Under 39/64"	39/64" To Under 3/4"	3/4" Thru 1 1/2"	Over 1 1/2" To Under 3"	3" Thru 4 3/8"	Over 4 3/8"
1015, 1016, 1017 1018, 1019, 1020 1021, 1022, 1023 RIMMED STEEL)	13	NIL	NIL	NIL	NIL	NIL
1015, 1016, 1017 1018, 1019, 1020 1021, 1022, 1023 1025, 1026, 1029 1030, 1035, 1037 1042, 1043, 1044 1045, 1046, 1049 1050 KILLED STEEL	14	NIL	NIL	NIL	NIL	NIL
1527, 1541	24	11	13	10	11	13
15B37	47	34	36	33	34	36
15B41	53	40	41	39	40	41
1117	42	30	30	27	28	31
1137	30	16	18	15	16	18
1212	23	10	12	8	10	12
1213, 1215	34	21	22	20	20	22
10L30	44	31	33	30	31	33
10L45	34	21	22	20	20	22
12L14, 12L15	51	38	40	37	38	40
15L22	71	47	49	45	46	49

## Tolerance Extra

If Bar tolerances are specified or required for over 35/64"  
to under 3/4" --- plus \$11 per metric ton

Note: All above extras are to be increased by 4.86% for all  
bars exported on or after October 1, 1978.

MERCHANT QUALITY HOT ROLLED CARBON STEEL SQUARES AND ROUND  
CORNERED SQUARES ASTM A 36 or AISI 1020

Category AISI 10

Tariff Schedule Number (s) 608.4660 7%

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$278	\$291

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$23	\$7	\$5
Gulf Coast	26	5	6
Atlantic Coast	29	4	6
Great Lakes	35	4	8

Insurance 1% of base price + extras + ocean freight

Extras

1. Size Extra

SIZE EXTRAS  
(\$/MT)

3rd Quarter

4th Quarter

SIZE	EXTRA
------	-------

3/8"	34	36
7/16"	23	24
1/2"	17	18
5/8"	6	6
3/4" to 1-3/4"	BASE	BASE
2"	12	13
2-1/4" to 3"	23	24

---

MERCHANT QUALITY HOT ROLLED CARBON STEEL ROUND BAR ASTM A36 or  
AISI 1020

Category AISI 10

Tariff Schedule Number (s) 608.4640 7%

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$278	\$291

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$23	\$7	\$5
Gulf Coast	26	5	6
Atlantic Coast	29	4	6
Great Lakes	35	4	8

Insurance 1% of base price + extras + ocean freight

Extras

1. Size Extra

SIZE EXTRA  
(\$/MT)

3rd Quarter

4th Quarter

DIAMETER

EXTRA

7/16"

34

36

1/2"

11

12

5/8" to 1"

BASE

BASE

1-1/3" to 2"

11

12

2-1/4" to 3"

21

22

---

**MERCHANT QUALITY CARBON STEEL FLAT BARS ASTM A36 OR AISI 1020**


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Category AISI 10

Tariff Schedule Number (s) 608.4620 7%

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$253	\$265

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$23	\$7	\$4
Gulf Coast	26	5	6
Atlantic Coast	29	4	6
Great Lakes	35	4	7

Insurance 1% of base price + extras + ocean freight

## Extras

1. Size Extra

Note: All extras on page 10-8 are to be increased by 4.84% for all bars exported to the United States on or after October 1, 1978.

Market Cost of Flat Bar (Size Extra Charts)  
of Japanese Main Electric Furnance Steel Mills

(1) Flat Bar

(U.S. \$ per Metric Ton)

Width/ Thickness	1/2"	5/8"	3/4"	1"	1 1/4"	1 1/2"	1-3/4"	2"	2 1/2"	3"	3 1/2"	4"	5"	6"	7"	8"
3/16"	46	34	29	17	14	14	14	14	14	*	*	*	*	*	*	*
1/4"	40	29	23	11	5	5	5	B	B	B	B	B	B	11	*	*
3/8"	*	*	23	11	5	5	5	B	B	B	B	B	B	B	B	14
1/2"	*	*	*	11	5	5	5	B	B	B	B	B	B	B	B	14
5/8"	*	*	*	23	11	11	11	5	5	5	5	5	5	5	5	14
3/4"	*	*	*	23	11	11	11	5	5	5	5	5	5	5	5	14
7/8"	*	*	*	*	*	*	*	5	5	5	5	5	5	5	5	14
1"	8	*	*	*	23	23	23	5	5	5	5	5	5	5	5	14
1 1/8"	*	*	*	*	*	*	*	*	*	9	9	9	9	9	9	18
1 1/4"	*	*	*	*	*	*	*	*	*	14	14	14	14	14	14	23
1 1/2"	*	*	*	*	*	*	*	*	*	18	18	18	18	18	18	27

B: Base      \*: Not available

Note: All above extras are to be increased by 4.84% for all bars exportedx  
to the United States on or after October 1, 1978.

Hot Rolled, Ni-Cr-Mo Alloy Steel Round Bar AISI 8620 , 40mm
---

Category AISI 11

Tariff Schedule Number (s) 608.5240 10 1/2% + additional duties (see Headnote 4, TSUS)

3rd Quarter

4th Quarter

Base Price per Metric Ton \$413

\$433

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$49	\$ 7	\$ 9
Gulf Coast	51	5	12
Atlantic Coast	63	4	12
Great Lakes	79	4	15

Insurance 1% of base price + extras + ocean freight

## Extras

1. Grade Extras
2. Size Extras
3. Thermal Treatment Extra
4. Quality Extras
5. Spring Steel Flat Bars

Note: All above prices on pgs. 11-2 through 11-5 are to be increased 4.86% for all bars exported to the United States on or after 10-1-78.

AISI, SAE NUMBER	\$/MT	AISI, SAE NUMBER	\$/MT
1330, 1335, 1340, 1345	Minus 63	5046	Minus 72
4012, 4023, 4027	Minus 21	5115, 5120, 5130, 5132, 5135	Minus 60
4024, 4028	Minus 17	5140	Minus 62
4032, 4037, 4042, 4047	Minus 21	6118	Minus 17
4118, 4130	Minus 21	6150	Minus 33
4135, 4137, 4140 4142, 4145, 4147, 4150	Minus 19	8115	1
4161	Minus 18	8615, 8617	16
4320	73	8622, 8625, 8627	NIL
4340	72	8630, 8637, 8640 8642, 8645, 8650 8655, 8660	Minus 4

Note: All above extras are to be increased by 4.86% for all bars exported to the United States on or after 10-1-78.

4422, 4427	6		8720	12
4615, 4617	70			
4620	68		8740	4
4626	21		8822	20
4718	85		94815, 94817	21
4720	52			
4815, 4817	166			
4820	164			

Boron Extra (if specified) \$21/MT

Note: All above extras are to be increased by 4.86% for all bars exported to the United States on or after 10-1-78.

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2. Size Extra (mm)	Extra (\$MT)	Extra (\$ / MT)
	Round	Round Corner Square
13-15	16	N/A
16-24	11	N/A
25-100	NIL	N/A
101-250	5	Minus 39

## Thermal Treatment Extras

Thermal Treatment	Extra (\$ / MT )
Regular Anneal	42
Spheroidize Anneal	63
Normalize	53
Quench & Temper	116
Normalize & Stress Relieve	116
Quench, Temper & Stress Relieve	169

## 4. Quality Extras

Quality	Extra (\$ / MT)
Aircraft	26
Bearing	26
Vacuum Degassed	12
(This extra is not charged when requirements are subject to extra for aircraft and / or bearing).	

Note: All above extras are to be increased by 4.86% for all bars exported to the United States on or after 10-1-78.

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## 5.. Spring Steel Flat Bars

## 5-1 Grade Extras per MT

AISI, SAE NUMBER	Extra (\$ / MT)
9260	Minus 102
5160	Minus 102

## 5-2 Size-Extras

Width (Inches)	Extra (\$/ MT)
up to 1 3/4"	11
over 1 3/4" to 4"	NIL
over 4"	11

Note; All above extras are to be increased 4.86% for all bars exported to the United States on or after 10-1-78.

Spheroidize Annealed, High Carbon Cr Steel Round Bar AISI 52100, 40mm to 100mm

Category AISI 11

Tariff Schedule Number (s) 608.5225 10 1/2% + additional duties (see Headnote 4, TSUS

3rd Quarter

4th Quarter

\$483

Base Price per Metric Ton \$461

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$49	\$ 7	\$10
Gulf Coast	51	5	13
Atlantic Coast	63	4	13
Great Lakes	79	4	17

Insurance 1% of base price + extras + ocean freight

#### Extras

1. Grade Extras
2. Size Extras
3. Thermal Treatment Extras.

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## 1. Grade Extras

Grade	Extra(\$ /MT)
ES1100, ES0100	NIL

## 2. Size Extras

Size (mm)	Extra (\$ / MT)
13 - 15	16
16 - 24	11
25 - 38	5
40 - 100	NIL
101- 250	5

## 3. Thermal Treatment Extra

Thermal Treatment	Extra (\$ / MT)
Without spheroidize anneal	Minus 63

Note: All above extras are to be increased by 4.86%  
for all bars exported to the United States  
on or after 10-1-78.

Cold Finished Carbon Steel Round Bar  
AIS 1008 through 1029, 19.05 mm (3/4")

Category AISI 12

Tariff Schedule Number (s) 608.5015 8 1/2%

3rd Quarter  
\$381

4th Quarter  
\$460

Base Price per Metric Ton

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$30	\$ 7	\$ 8
Gulf Coast	35	5	10
Atlantic Coast	40	4	10
Great Lakes	58	4	13

Insurance 1% of base price + extras + ocean freight

Extras

Size, See Table p. 12-4

Note: All prices on p12-4 are to be increased by 4.86%  
for all bars exported to the United States on or after  
October 1, 1978.

Cold Finished Round Steel Bar (Free Cutting Steel-Sulfur)  
 AISI 1212 through 1215 19.05mm (3/4")

Category AISI 12

Tariff Schedule Number (s) 608.5005 8 1/2%

3rd Quarter  
\$430

4th Quarter  
\$521

Base Price per Metric Ton

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$30	\$ 7	\$ 9
Gulf Coast	35	5	11
Atlantic Coast	40	4	12
Great Lakes	58	4	15

Insurance 1% of base price + extras + ocean freight

Extras

Size, See Table p. 12-4

Note: All prices on p 12-4 are to be increased by 4.86%  
 for all bars exported to the United States on or  
 after October 1, 1978.

Cold Finished Round Steel Bar (Free Cutting Steel-Lead)  
AISI 12L14 and 12L15 19.05 mm (3/4")

Category AISI 12

Tariff Schedule Number (s) 608.5005 8 1/2%

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$452	\$544

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$30	\$ 7	\$ 9
Gulf Coast	35	5	12
Atlantic Coast	40	4	12
Great Lakes	58	4	15

Insurance 1% of base price + extras + ocean freight

Extras

Size, See Table p. 12-4

Note: All prices on p 12-4 are to be increased by 4.86% for all bars exported to the United States on or after October 1, 1978.

Size Extras for Cold Finished Steel Bars (\$ Extra/M.T.)

<u>Size</u>		<u>Shape</u>	
		<u>Round</u>	<u>Hexagon</u>
	Up to 3/16" inclusive	66	162
over	3/16" thru 5/16"	44	88
	5/16" " 7/16	35	53
	7/16 " 5/8"	18	35
	5/8" " 7/8"	Base	8
	7/8" " 1-7/16"	8	18
	1-7/16" " 1-3/4"	14	31
	1-3/4" " 2-11/16"	18	44
	2-11/16" " 3"	26	--
	3" " 3-3/4"	35	--
	3-3/4 " 4"	44	--

Note: All prices are to be increased by 4.86% for all bars exported to the United States on or after October 1, 1978.

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Electric Resistance Welded Carbon Steel Pressure Tubing  
For Use In Boilers, Heat Exchangers, Condensers, Etc.

Category AISI 14

Tariff Schedule Number(s) 610.32 0.3¢ per lb.

3rd Qtr.  
\$461

4th Qtr.  
\$483

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	See Freight Table	\$7	\$9
Gulf Coast		5	11
Atlantic Coast		4	12
Great Lakes		4	15

Insurance 1% of base price + extras + ocean freight

Extras

- A. Outside Diameter and Wall Thickness
- B. Other Extras
  - (1) Specifications
  - (2) Steel Requirements
  - (3) Special Dimensional Tolerance

Note: All prices on pg. 14-3 are to be increased by 4.86% for tubing exported on or after Oct. 1, 1978.

FREIGHT CHARGES ON PIPE AND TUBE PRODUCTS  
 (\$/MT - Applies to all products in category 14 and 15)

Freight	Pacific	Gulf	Atlantic	Great Lakes
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Pipe (up to 40')  
 Outside diameter  
 up to:

4"	\$27	\$35	\$37	\$50
5"	29	35	37	50
6"	31	36	37	52
8"	32	37	39	54
10"	33	38	39	56
12"	34	39	41	58
14"	35	41	41	60
16"	35	42	44	61
18"	36	43	44	63
20"	37	45	47	65
22"	38	46	50	66
24"	39	47	50	68
26"	40	48	53	70
28"	42	49	53	72
30"	43	50	53	74
32"	45	51	55	76
34"	46	52	55	78
36"	48	54	57	80
38"	51	57	60	83
40"	53	61	64	87
42"	56	64	66	91
44"	59	66	69	95
46"	63	70	73	99
48"	66	73	76	103

BASE PRICE INCLUDING OD/WT EXTRAS (\$/MT)

ELECTRIC RESISTANCE WELDED CARBON STEEL PRESSURE TUBING

NOTES OD/ WT	AISI 14								TSUSA 610.32							
	3/4	1	1¼	1½	1 3/4	2	2 1/8	2¼	2 3/8	2½	2 3/4	3	3¼	3½	4	4½
.049	783	714	668													
.065	760	645	645	598	598											
.083	668	645	598	553	530	506	506	506	483	483	483	483				
.095	668	598	598	530	506	483	483	483	483	461	461	461	461			
.105	645	576	553	506	483	483	483	461	461	461	<b>461</b>	461	<b>461</b>	461		
.109	645	576	530	483	461	461	461	461	461	461	461	438	461	461	483	
.120	645	576	530	461	461	461	461	461	461	438	438	438	438	438	483	530
.125		576	530	461	461	461	461	438	438	438	438	438	438	438	461	483
.134		576	530	461	461	461	461	438	438	438	438	438	438	438	461	483
.135		576	530	461	461	461	461	438	438	438	438	438	438	438	438	461
.148			530	461	461	461	461	438	438	438	438	438	438	438	438	461
.150			553	483	461	461	461	438	438	438	438	438	438	<b>438</b>	<b>438</b>	461
.165			553	483	461	461	461	461	438	438	438	438	<b>438</b>	438	438	438
.180			553	506	461	461	461	461	438	438	438	415	<b>438</b>	438	415	415
.200				530	461	461	461	461	461	438	438	415	415	415	415	415
.203				530	483	483	461	461	461	438	438	415	415	<b>415</b>	<b>415</b>	415
.220				530	483	483	483	461	461	438	438	438	415	<b>415</b>	415	415
.238					506	506	506	483	483	461	461	438	438	438	438	438
.259					553	553	553	506	483	461	461	461	438	438	438	438
.284													461	438	438	438
.300													483	461	461	461

Intermediate wall thickness will be priced on the next heavier wall shown.

Note: All prices are to be increased by 4.86% for tubing exported on or after Oct. 1, 1978.

ELECTRIC RESISTANCE WELD PRESSURE TUBING  
SPECIFICATIONS AND SPECIAL DIMENSIONAL  
TOLERANCES EXTRAS

<u>Specifications</u>	<u>per cent</u>
ASTM A-178 Grade A	Base
ASTM A-178 Grade C	5 %
ASTM A-214	Base
ASTM A-334 Grade 1	10 %
ASTM A-423	25 %

Steel Requirements

	<u>per cent</u>
Low carbon 25% mean or under (But not under 10% mean)	Base
For closer than 10 point range but not closer than 5 points	5 %
For carbon over 25% mean thru 35% mean	5 %
For carbon steel containing .20% to 40% copper	5 %

Special Dimensional Tolerance

If the outside diameter tolerance is specified closer than standard ASTM or ASME specification tolerance but not less than 60% of standard ASTM or ASME specification tolerance	7½%
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REVISED  
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ELECTRIC RESISTANCE WELD PRESSURE TUBING EXTRAS  
(Continued)

Cut Length Extra

<u>Cut Lengths (Feet)</u>	<u>Extra (per cent)</u>
Under 10	To be announced
10 to 36	Base
36 to 40	0 to 5
40 to 44	7.5
44 to 48	10
48 and over	To be announced

Quantity Extra

<u>Weight (pounds)</u>	<u>Extra (per cent)</u>
10,000 or more	Base
5,000 to 9,999	20
Under 5,000	To be announced

Testing Extra

Non-Destructive or Hydrostatic Testing to ASTM A-450	Base
Non-Destructive and Hydrostatic Testing to ASTM A-450	3%

Packaging Extra

Weight per bundle under 1 metric ton	To be announced
1 thru 5 metric ton	Base
Over 5 metric ton	To be announced

REV. JULY, 1978

## Continuous Butt Welded Standard Pipe

Category AISI 14

Tariff Schedule Number(s)	610.32	0.3¢/lb.	
	3rd Quarter		4th Quarter
			307

Base Price per Metric Ton \$293

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	See Freight Table	\$7	\$ 6
Gulf Coast		5	8
Atlantic Coast		4	8
Great Lakes		4	10

Insurance 1% of base price + extras + ocean freight

## Extras

- A. Outside Diameter/Wall Thickness, including Black or Galvanized, Threaded and Coupled or Plain End.
- B. Other Extras - Available on Request
- 1) Grooving
  - 2) Pickling
  - 3) Caustic Washing
  - 4) Drifting
  - 5) Drying
  - 6) Cut Length

NOTE: All prices on pg. 14-7 are to be increased by 4.86% for pipe exported to the United States on or after Oct. 1, 1978.

BASE PRICE, INCLUDING O.D./WT., GALVANIZING, THREADED AND COUPLED EXTRAS

CONTINUOUS BUTT WELDED PIPE

AISI 14 TSUSA 610.32

<u>DESCRIPTION</u>	<u>NOM. (INCHES)</u>					<u>O.D. (INCHES)</u>				
	1/2	3/4	1	1¼	1½	2 3/8	2 7/8	3½	4	4½
STD WEIGHT, BLK, PLAIN END	317	308	302	300	300	293	293	293	300	300
EX STRONG, BLK, PLAIN END	317	317	310	307	307	302	302	302	307	307
STD WEIGHT, GALV, PLAIN END	408	394	383	377	377	377	372	372	377	377
EX STRONG, GALV, PLAIN END	420	405	395	387	387	383	383	383	387	387
STD WEIGHT, BLK T AND C	354	342	329	326	326	320	320	320	331	331
EX STRONG, BLK T AND C	364	351	339	335	335	329	329	329	342	342
STD WEIGHT, GALV, T AND C	446	427	410	403	403	399	399	399	409	409
EX STRONG, GALV, T AND C	459	440	422	416	416	410	410	410	421	421

Note: All above prices are to be increased by 4.86% for tubing exported on or after October 1, 1978.

REV. Aug, 1978

## ELECTRIC RESISTANCE WELDED PIPE, EXCLUDING OIL WELL CASING, WITHOUT COUPLING

Category AISI 14

Tariff Schedule Number(s) 610.32 .3¢/lb.

3rd Quarter

4th Quarter

344

Base Price per Metric Ton \$328

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	See Freight Table	\$7	\$ 6
Gulf Coast		5	8
Atlantic Coast		4	9
Great Lakes		4	11

Insurance 1% of base price + extras + ocean freight

## Extras

- A. Outside Diameter/Wall Thickness by Grade
- B. Galvanizing, Threading & Coupling
- C. Other - Available on Request

- 1) Grooving
- 2) Caustic Washing
- 3) Pickling
- 4) Drifting
- 5) Dry (Blk. Pipe Only)
- 6) Weight Tolerance
- 7) Straightness
- 8) Hydrostatic Tests
- 9) Quantity Extras
- 10) Cut Length Extras

NOTE: All prices on pgs. 14- through 14-9 are to be increased by 4.86% for pipe exported to the United States on or after Oct. 1, 1978.

## BASE PRICES INCLUDING OD/WT AND GRADE EXTRAS (\$/M.T.)

## ELECTRIC RESISTANCE WELD PIPE, EXCLUDING OIL WELL CASING, WITHOUT COUPLING

O.D.	W.T.	A53 & API GRADES A & B	X42	API X46	5LX X52	GRADES X56	X60
2 3/8	.154	367	378	388	400	410	422
	.218	377	387	399	410	421	433
2 7/8	.203	357	367	378	389	400	410
	.276	376	378	388	400	410	422
3 1/2	.216	347	358	368	379	389	400
	.300	357	367	378	389	400	410
4	.226	347	358	368	379	389	400
	.318	357	367	378	389	400	410
4 1/2	.125	351	367	379	389	400	410
	.141	347	358	368	379	389	400
	.156	347	358	368	379	389	400
	.172	347	358	368	379	389	400
	.188	347	358	368	379	389	400
	.203	347	358	368	379	389	400
	.219	347	358	368	379	389	400
	.237	347	358	368	379	389	400
	.337	357	367	378	369	400	410
5 9/16	.156	343	352	363	373	383	394
	.188	343	352	363	373	383	394
	.219	343	352	363	373	383	394
	.258	343	352	363	373	383	394
	.375	352	363	373	384	395	405
6 5/8	.125	353	363	373	384	395	405
	.141	352	363	373	384	395	405
	.156	343	352	363	373	383	394
	.172	343	352	363	373	383	394
	.188	343	352	363	373	383	394
	.203	343	352	363	373	383	394
	.219	343	352	363	373	383	394
	.250	343	352	363	373	383	394
	.280	343	352	363	373	383	394
	.375	343	352	363	373	383	394
	.432	352	363	373	384	395	405

Note: All above prices are to be increased by 4.86%  
for tubing exported on or after October 1, 1978.

## BASE PRICES INCLUDING OD/WT AND GRADE EXTRAS (\$/M.T.)

ELECTRIC RESISTANCE WELD PIPE, EXCLUDING OIL WELL CASING, WITHOUT  
COUPLING

O.D.	W.T.	A53 & API GRADES A & B	X42	API X46	5LX X52	Grades X56	X60
8 5/8	.125	338	347	358	368	378	388
	.156	338	347	358	368	378	388
	.172	338	347	358	363	378	388
	.188	328	338	347	358	367	377
	.203	328	338	347	358	367	377
	.219	328	338	347	358	367	377
	.258	328	338	347	358	367	377
	.277	328	338	347	358	367	377
	.312	328	338	347	358	367	377
	.322	328	338	347	358	367	377
	.344	328	338	347	358	367	377
	.375	328	338	347	358	367	377
	.500	338	347	358	368	378	388
10 3/4	.156	338	347	358	368	378	388
	.172	338	347	358	368	378	388
	.188	338	347	358	368	378	388
	.203	328	338	347	358	367	377
	.219	328	338	347	358	367	377
	.250	328	338	347	358	367	377
	.279	328	338	347	358	367	377
	.307	328	338	347	358	367	377
	.344	328	338	347	358	367	377
	.365	328	338	347	358	367	377
	.500	338	347	358	368	378	368
12 3/4	.172	338	347	358	368	378	368
	.188	338	347	358	368	378	368
	.203	328	338	347	358	367	377
	.219	328	338	347	358	367	377
	.250	328	338	347	358	367	377
	.281	328	338	347	358	367	377
	.312	328	338	347	358	367	377
	.330	328	338	347	358	367	377
	.344	328	338	347	358	367	377
	.375	328	338	347	358	367	377
	.406	328	338	347	358	367	377
	.500	338	347	358	368	378	368
14	.188	338	347	358	368	378	368
	.203	338	347	358	368	378	368

Note: All above prices are to be increased by 4.86%  
for tubing exported on or after October 1, 1978.

## BASE PRICES INCLUDING OD/WT AND GRADE EXTRAS (\$/M.T.)

ELECTRIC RESISTANCE WELD PIPE, EXCLUDING OIL WELL CASING, WITHOUT  
COUPLING

O.D.	W.T.	A53 & <b>API</b> Grades A & B	X42	API X46	<del>5LX</del> X52	Grades X56	X60
14	.219	328	338	347	358	367	377
	.250	328	338	347	358	367	377
	.281	328	338	347	358	367	377
	.312	328	338	347	358	367	377
	.344	328	338	347	358	367	377
	.375	328	338	347	358	367	377
	.438	328	338	347	358	367	377
	.500	338	347	358	368	378	388
16	.188	338	347	358	367	378	388
	.203	338	347	358	367	378	388
	.219	328	338	347	357	367	377
	.250	328	338	347	357	367	377
	.281	328	338	347	357	367	377
	.312	328	338	347	357	367	377
	.344	328	338	347	357	367	377
	.375	328	338	347	357	367	377
	.438	328	338	347	357	367	377
	.500	338	347	358	367	378	388

Note: All above prices are to be increased by 4.86%  
for tubing exported on or after October 1, 1978.

ELECTRIC RESISTANCE WELDED PIPE, EXCLUDING OIL WELL  
CASING, W/O COUPLING

AISI 14 TSUSA 610.32

GALVANIZING EXTRA: 25% of base price for specific OD/WT.

THREADING & COUPLING: 20% of base price for specific OD/WT.

GALVANIZING PLUS THREADING & COUPLING: 45% of base price for  
specific OD/WT.

REV. Aug, 1978

## SUBMERGED ARC WELDED PIPE

Category AISI 14

Tariff Schedule Number(s) 610.32 .3 ¢/lb.

3rd Quarter

4th Quarter

Base Price per Metric Ton \$398

417

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	See Freight	\$7	\$8
Gulf Coast	Table	5	10
Atlantic Coast		4	10
Great Lakes		4	13

Insurance 1% of base price + extras + ocean freight

## Extras

- A. Outside Diameter and Grade Extra
- B. Galvanizing
- C. Other - Available on Request

- (1) Caustic Washing
- (2) Pickling
- (3) Drifting
- (4) Dry
- (5) Quantity Extras
- (6) Cut Length Extras

NOTE: All prices on pg.14-14 are to be increased by 4.86% for pipe exported to the United States on or after Oct 1, 1978.

BASE PRICES INCLUDING OD AND GRADE EXTRAS (\$/MT)

Submerged Arc Welded Pipe

AISI 14

TSUSA 610.32

<u>Grade</u>	<u>OD</u>	<u>\$/MT</u>
5 L	16"	422
	18"-24"	409
	26"-48"	398
x-42	16"	432
	18"-24"	422
	26"-48"	409
x-46	16"	445
	18"-24"	432
	26"-48"	422
x-52	16"	461
	18"-24"	445
	26"-48"	432
x-56	16"	474
	18"-24"	461
	26"-48"	445
x-60	16"	485
	18"-24"	474
	26"-48"	461
x-65	16"	497
	18"-24"	485
	26"-48"	474

Note: All above are to be increased by 4.86%  
for tubing exported on or after October 1, 1978.

SUBMERGED ARC WELDED PIPE (% OF BASE PRICE EXTRA)

GALVANIZING EXTRA: 1.8 to 2.0 oz Coating

WT OD	.250	.281	.312	.344	.375	.406	.438	.469	.500	.562	.625	.656	.688	.750
16"	4.0	4.1	4.1	4.2	4.2	4.2	4.2	4.2	4.2					
24"	4.0	4.1	4.1	4.2	4.2	4.2	4.2	4.2	4.2					
26"	4.0	4.1	4.1	4.2	4.2	4.2	4.2	4.2	4.2	4.1	4.1	4.0		
30"		4.1	4.2	4.2	4.3	4.3	4.3	4.3	4.3	4.2	4.1	4.1		
34"		4.1	4.2	4.2	4.2	4.3	4.3	4.3	4.3	4.2	4.1	4.1		
36"		4.1	4.1	4.2	4.2	4.2	4.2	4.2	4.2	4.1	4.1	4.0		
40"			3.9	3.9	4.0	4.0			4.0					
42"			3.9	3.9	4.0	4.0	4.0	4.0	4.0	3.9	3.9	3.8	3.7	3.7
44"				3.9	3.9	4.0	4.0	4.0	4.0	3.9	3.8	3.8	3.7	3.6
46"				3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.8	3.8	3.7	3.6
48"					3.9	3.9	3.9	3.9	3.9	3.8	3.8	3.8	3.7	3.6

REVISED Aug., 1978

<p>ELECTRIC RESISTANCE WELDED STRUCTURAL TUBING TO ASTM A 500 GRADES A, B &amp; C</p>
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Category AISI 14

Tariff Schedule Number(s)

610.32	0.3 ¢ per lb.
3rd Quarter	4th Quarter
	360

Base Price per Metric Ton \$343

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	See Freight Table	\$7	\$ 6
Gulf Coast		5	8
Atlantic Coast		4	8
Great Lakes		4	11

Insurance 1% of base price + extras + ocean freight

## Extras

A. Outside Diameter and Wall Thickness

B. Other Extras

- (1) Pickling
- (2) Cold Strip Extra
- (3) ROPS Extra

Note: All prices on pages 14-17 through 14-18  
are to be increased by 4.86% for tube  
exported to the United States on or  
after October 1, 1978.

BASE PRICE INCLUDING OUTSIDE DIAMETER (OD) / WALL THICKNESS (WT) EXTRAS (\$/MT)  
ELECTRIC RESISTANCE WELDED STRUCTURAL TUBING TO ASTM A 500 GRADE A B & 'C

		AISI 14			TSUSA		610.32				
SQUARE	WT/OT	.047	.056	.063	.072	.078	.083	.095	.109	.120	.125 .134
1/2	384	384	387	387							
5/8	307	387	365	365							
3/4	375	375	353	353							
7/8	375	375	353	353							
1	375	375	353	353	353	353	353	353	353	353	
1 1/4	375	375	353	353	353	353	353	353	353	353	
1 1/2	375	375	353	353	353	353	353	353	353	353	
1 3/4			353	353	353	353	353	353	353	353	
2			353	353	353	353	353	353	353	353	353
2 1/2							343	343	343	343	343
3								343	343	343	343
3 1/2								343	343	343	343
4								343	343	343	343
5											
6											
7											
8											
10											
12											

Note: All above prices are to be increased by 4.86% for tube  
exported to the United States on or after October 1, 1978.

14 - 18  
Revised Aug., 1978

BASE PRICE INCLUDING OUTSIDE DIAMETER (OD) / WALL THICKNESS (WT) EXTRAS (\$/MT)  
Electric resistance welded Structural tubing to ASTM A 500 Grade A B & C  
AISI 14 TSUSA 610 .32

SQUARE	WT/OT	.156	.180&.1875	.250	.313	.375	.500
1/2							
5/8							
3/4							
7/8							
1							
1 1/4							
1 1/2							
1 3/4							
2		353	353	353			
2 1/2		343	343	343			
3		343	343	343			
3 1/2		343	343	343			
4		343	343	343	356	356	
5		343	343	343	356	356	
6		343	343	343	356	356	365
7		343	343	343	356	356	365
8			343	343	356	356	365
10				343	356	356	365
12				343	365	365	375

Note: All above prices are to be increased by 4.86% for  
tube exported to the United States on or after October 1, 1978.

Base Price Including Outside Diameter (O.D.) Wall Thickness (W.T.) Extras (\$/MT)  
Electric Resistance Welded Structural Tubing to ASTM A 500 Grade A B & C

	AISI 14		TSUSA	610.3 2					
Rectangular WT/OD	.047	.056	.063	.072	.078.	.083	.095	.109	.120 & .125
1x1 1/2	375	375	353	353					
1 1/2x3/4	375	375	353	353	353	353	353		
1 1/2 x 1	375	375	353	353	353	353	353	353	353
2x1	375	375	353	353	353	353	353	353	353
2x1 1/2	375	375	353	353	353	353	353	343	353
2 1/2 x 1 1/2			353	353	353	353	353	343	353
3x1			353	353	353	353	353	343	353
3x1 1/2			343	343	343	343	343	343	343
3x2						343	343	343	343
4x2							343	343	343
4x3							343	343	343
5x2							343	343	343
5x3							343	343	343
6x2							343	343	343
6x3									
6x4									
7x4									
7x5									
8x4									
8x6									
9x7									
10x6									
12x8									
14x6									
16x8									

Note: All above prices are to be increased by 4.86% for tube exported to the United States on or after October 1, 1978.

14-20

Revised Aug., 197

Base Price Including Outside Diameter (O.D.1/ Wall Thickness (W.T.) Extras (\$/MT)  
 Electric Resistance Welded Structural Tubing to ASTM A 500 Grade A B & C

	AISI	14	TSUSA	610.39	610.49		
Rectangular WT/OD	.134	.156	.180 & .1875	.250	.313	.375	.500
<hr/>							
1 x 1/2							
1 1/2 x 3/4							
1 1/2 x 1							
2x1							
2 x 1 1/2							
2 1/2 x 1 1/2							
3 x 1 1/2							
3x2	343	343	343	343			
4x2	343	343	343	343			
4x3	343	343	343	343			
5x2	343	343	343	343			
5x3	343	343	343	343	356	356	
6x2	343	343	343	343			
6x3		343	343	343	356	356	
6x4		343	343	343	356	356	
7x4		343	343	343	356	356	
7x5		343	343	343	356	356	375
8x4		343	343	343	356	356	375
8x6		343	343	343	356	356	375
9x7			343	343	356	356	375
10x6			343	343	356	356	375
12x 8				353	365	365	375
14x6				353	365	365	375
16x 8				353	365	365	375

Note: All above prices to be increased by 4.86% for tube  
 exported to the United States on or after October 1, 1978.

Rev. August, 1978

## OTHER EXTRAS

ELECTRIC RESISTANCE WELDED STRUCTURAL TUBING  
TO ASTM A 500 GRADE A, B, & C

	3rd Quarter	4th Quarter
<u>Pickling Extra:</u>	\$13 per Metric Ton Irrespective of OD/WT	\$14 per metric ton Irrespective of OD/WT
<u>Cold Strip Extra:</u>	\$44 per Metric Ton Irrespective of OD/WT	\$46 per metric ton. Irrespective of OD/WT
<u>ROPS Extra:</u>	\$58 per Metric Ton, Irrespective of OD/WT	\$61 per metric ton. Irrespect. of OD/WT.

Revised Aug., 1978

<p align="center"><b>ELECTRIC RESISTANCE WELDED STANDARD PIPE</b>  <b>ASTM A 120 (A-53)</b></p>
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Category AISI 14

Tariff Schedule Number(s) 610.32 0.3¢ per Lb.

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$317	\$332

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	See Freight Rate	\$ 7	\$ 6
Gulf Coast		5	8
Atlantic Coast		4	8
Great Lakes		4	10

Insurance 1% of Base Price + Extras + Ocean Freight

## Extras

- A. Outside Diameter and Wall Thickness
- B. Galvanizing
- C. Threading and Coupling

Note: All above prices on page 23 are to be increased 4.86% for tube exported to the United States on or after October 1, 1978.

**Base Price Including Outside Diameter (OD)/Wall Thickness (WT)**  
**Threaded and Coupled Extras (\$/MT)**  
**Electric Resistance Welded Pipe to ASTM A 120**  
(Standard Weight)

	Nom (inches)					OD (inches)				
	$\frac{1}{2}$	$\frac{3}{4}$	1	$1\frac{1}{2}$	$1\frac{1}{2}$	$2\frac{3}{8}$	$2\frac{7}{8}$	$3\frac{1}{2}$	4	$4\frac{1}{2}$
Blk. P.E.	342	332	328	323	323	317	317	317	323	323
Blk. T.& C.	383	371	354	352	352	345	345	345	357	357
Galv., P.E.	440	425	415	408	408	401	401	401	408	408
Galv. T.& C.	481	462	443	437	437	430	430	430	443	443

Note: All above prices are to be increased by 4.86% for tube exported to the United States on or after October 1, 1978.

14-23  
REVISED  
AUG., 1978

REV. Aug, 1978

SEAMLESS CARBON STEEL OIL WELL CASING, NOT THREADED, UP TO SEVEN INCHES  
IN OUTSIDE DIAMETER

AISI CATEGORY: 15

Tariff Schedule Number (s) 610.39 0.1 ¢/lb

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$388	\$407

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	See Freight	\$7	\$7
Gulf Coast	Table	5	10
Atlantic Coast		4	10
Great Lakes		4	12

Insurance 1% of base price + extras + ocean freight

Extras

A. Outside Diameter, Wall Thickness

B. Grade Extras

NOTE: All prices on pg. 15-2 are to be increased by 4.86% for oil well casing exported to the United States on or after October 1, 1978.

Base Prices Including OD/WT Extras (\$/MT)

SEAMLESS CARBON STEEL OIL CASING, NOT THREADED, UP TO SEVEN INCHES IN  
OUTSIDE DIAMETER

AISI	15	TSUSA	610.39
<u>OD</u>		<u>WT</u>	<u>\$/MT</u>
4 1/2"		.224	422
		.250	414
5"		.253	405
		.296	400
5 1/2"		.244	572
		.275	395
		.304	388

Intermediate WT will be priced on the nearest WT shown.

Note: All above prices are to be increased 4.86% for  
oil well casing exported to the United States on  
or after October 1, 1978.

Seamless Carbon Steel Well Casing, Not Threaded, up to 7 Inches in Outside Diameter

Grade Extras

Grade	Extra
H, J, K N, C, L C-95, P	Base + 21% + 39%

REV. Aug., 1978

SEAMLESS CARBON STEEL OIL WELL CASING, NOT THREADED, SEVEN INCHES AND  
OVER IN OUTSIDE DIAMETER

CATEGORY AISI 15

Tariff Schedule Number (s) 610.39 0.1 ¢/lb.

Base Price per Metric Ton	3rd Quarter \$384	4th Quarter \$403
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Charges to CIF	Ocean Freight	Handling	Interest
West Coast	See Freight	\$7	\$7
Gulf Coast	Table	5	10
Atlantic Coast		4	10
Great Lakes		4	12

Insurance 1% of base price + extras + ocean freight

## Extras

A. Outside Diameter/Wall Thickness

B. Grade Extras

NOTE: All prices on pg. 15-5 are to be increased by 4.86% for oil well casing exported to the United States on or after October 1, 1978.

Base Prices Including OD/WT Extras  
(\$/MT)

SEAMLESS CARBON STEEL OIL WELL CASING, NOT THREADED, SEVEN  
INCHES & OVER IN OUTSIDE DIAMETER

AISI	15	TSUSA	610.39	
	<u>OD</u>	<u>WT</u>		\$/MT
	7"	.272		395
		.317		385
	8 5/8"	.264		401
		.352		484
	9 5/8"	.352		484
		.395		484
	10 3/4"	.350		383
		.400		484
		.450		383
	11 3/4"	.375		385
		.435		484
		.489		382
	13 3/8"	.380		397
		.430		396
		.480		395
	16"	.438		423
		.495		419
		.656		419
	20"	.438		447
		.500		447
		.635		447
		.812		447

Intermediate WT will be priced on the nearest WT shown.

Note: All above prices are to be increased 4.86% for oil well casing exported to the United States on or after October 1, 1978.

Seamless Carbon Steel Oil Well Casing, Not Threaded, 7 Inches and over in  
Outside Diameter

Grade Extras

Grade	Extra
H, J, K N, C, L C-95, P	Base + 21% + 39%

REV. Aug., 1978

Seamless Carbon Steel Oil Well Casing, Threaded, and Coupled, Seven Inches and Over in Outside Diameter

Category AISI 15

Tariff Schedule Number(s) 610.42 7½%

3rd Quarter  
Base Price per Metric Ton \$436

4th Quarter  
\$457

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	See Freight Table	\$7	\$ 9
Gulf Coast		5	12
Atlantic Coast		4	12
Great Lakes		4	15

Insurance 1% of base price + extras + ocean freight

#### Extras

- A. Outside Diameter/Wall Thickness
- B. Grade Extras
- C. Threading & Couplings Extras

NOTE: All prices on pg. 15-78 are to be increased by 4.86% for oil well casing exported to the United States on or after Oct. 1, 1978.

BASE PRICES INCLUDING OD/WT EXTRAS (\$/MT)

SEAMLESS CARBON STEEL OIL WELL CASING, THREADED, AND COUPLED, 7 INCHES & OVER

ASTM 15 TSUSA 610.42

<u>OD</u>	<u>WT</u>	\$/MT
7"	.272	448
	.317	442
8 5/8"	.264	456
	.352	437
9 5/8"	.352	436
	.395	436
10 3/4"	.350	436
	.400	436
	.450	435
11 3/4"	.375	438
	.435	436
	.489	435
13 3/8"	.380	452
	.430	449
	.480	448

Intermediate WT will be priced in the nearest WT shown.

Note: All above prices to be increased 4.86% for oil well casing exported to the United States on or after Oct. 1, 1978.

Rev. Aug. 1978

Seamless Carbon Steel Oil Well Casing, Threaded and Coupled, 7 inches or more in Outside Diameter.

## Grade Extras

Grade	Extra
H,J,K N,C,L C-95,P	Base + 21% + 39%

## Threading and Coupling Extras

Threading & Coupling	Extra
STC LTC BTC	Base + 5% +12%
Threading but without coupling	-2.5%

REV. Aug. 1978

SEAMLESS CARBON STEEL OIL WELL CASING,  
 THREADED , AND COUPLED, UP TO 7 INCHES IN  
 OUTSIDE DIAMETER

Category AISI 15

Tariff Schedule Number(s) 610.42 7 1/2%  
 3rd Quarter 4th Quarter

Base Price per Metric Ton \$441 \$462

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	See Freight	\$7	\$9
Gulf Coast	Table	5	12
Atlantic Coast		4	12
Great Lakes		4	15

Insurance 1% of base price + extras + ocean freight

## Extras

A. Outside Diameter/Wall Thickness

B. Grade Extras

NOTE: All prices on pg.15-11 are to be increased by 4.86% on  
 oil well casings exported to the United States on or after October  
 1, 1978.

BASE PRICES INCLUDING OD/WT EXTRAS  
(\$/MT)

Seamless Carbon Steel Oil Well Casing, Threaded, and Coupled Up  
to Seven Inches  
AISI 15 TSUSA 610.42

<u>OD</u>	<u>WT</u>	\$/MT
4 1/2"	.224	480
	.250	471
5"	.253	461
	.296	453
5 1/2"	.244	457
	.275	659
	.304	441

Intermediate WT will be priced on the nearest WT shown.

Note: All above prices to be increased by 4.86% for oil well casing exported to the United States on or after October 1, 1978.

Rev. Aug., 1978

# Seamless Carbon Steel Oil Well Casing, Threaded and Coupled, 7 inches in Outside Diameter

## Grade Extras

Grade	Extra
H,J,K N,C,L C-95,P	Base + 21% + 39%

## Threading and Coupling Extras

Threading & Coupling	Extra
STC LTC BTC	Base + 5% +12%
Threading but without coupling	-2.5%

ELECTRIC RESISTANCE WELDED CARBON STEEL  
OIL WELL CASING, NOT THREADED

Category AISI 15

Tariff Schedule Number(s) 610.39 0.1 c/lb.

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$346	\$363

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	See Freight	\$7	\$7
Gulf Coast	Table	5	9
Atlantic Coast		4	9
Great Lakes		4	11

Insurance 1% of base price + extras + ocean freight

Extras

A. Outside Diameter/Wall Thickness

Note All prices on pg. 15-14 are to be increased by 4.86 percent for oil well casing exported to the United States on/or after Oct. 1, 1978.

BASE PRICES INCLUDING OD/WT EXTRAS (\$/MT)<sup>a</sup>Electric Resistance Welded Carbon Steel Oil Well Casing,  
Not Threaded.

<u>OD</u>	<u>WT</u>	<u>\$/MT</u>
4 1/2"	.205	367
	.224	367
	.250	367
5"	.220	367
	.253	367
	.296	367
5 1/2"	.244	361
	.275	361
	.304	361
6 5/8"	.288	361
	.352	361
7"	.272	361
	.317	361
8 5/8"	.264	346
	.304	346
	.352	346
	.400	346
9 5/8"	.312	346
	.352	346
	.395	346
10 3/4"	.279	346
	.350	346
	.400	346
	.450	346
13 3/8"	.330	346
	.380	346
	.430	346
	.480	346
16"	.375	346
	.438	346
	.495	346
20"	.438	346
	.500	346

a. Grade J-55 Base, Grade H-40 deduct 5%

Note: All above prices to be increased 4.86% for oil well casing  
exported to the United States on or after October 1, 1978.

Rev. August 1978

ELECTRIC RESISTANCE WELDED CARBON STEEL  
OIL WELL CASING, THREADED

Category AISI 15

Tariff Schedule Number(s) 610.42 7 1/2%

3rd Quarter

4th Quarter

Base Price per Metric Ton \$408

\$428

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	See Freight	\$7	\$8
Gulf Coast	Table	5	11
Atlantic Coast		4	11
Great Lakes		4	14

Insurance 1% of base price + extras + ocean freight

Extras

A. Outside Diameter/Wall Thickness

Note: All prices on pg. 15-16 are to be increased by 4.86 percent  
for oil well casing exported to the United States  
on/or after Oct. 1, 1978.

BASE PRICES INCLUDING OD/WT EXTRAS (\$/MT)<sup>a</sup>

## Electric Resistance Welded Carbon Steel Oil Well Casing, Threaded

OD	WT	\$/MT
4 1/2"	.205	433
	.224	433
	.250	433
5"	.220	433
	.253	433
	.296	433
5 1/2"	.244	424
	.275	424
	.304	424
6 5/8"	.288	424
	.352	424
7"	.272	424
	.317	424
8 5/8"	.264	408
	.304	408
	.352	408
	.400	408
9 5/8"	.312	408
	.352	408
	.395	408
10 3/4"	.279	408
	.350	408
	.400	408
	.450	408
11 3/8"	.330	408
	.380	408
	.430	408
	.480	408
16"	.375	408
	.438	408
	.495	408
20"	.438	408
	.500	408

a. Grade J-55 Base, Grade H-40 deduct 5%.

Note: All above prices are to be increased by 4.86% for oil well casing exported to the United States on or after Oct. 1, 1978

Rev. Aug., 1978

SEAMLESS CARBON STEEL PRESSURE TUBING, SUITABLE FOR USE IN BOILERS,  
 SUPERHEATERS, HEAT EXCHANGERS, CONDENSERS, REFINING FURNACES,  
 FEED WATER HEATERS, COLD FINISH

Category AISI 15

Tariff Schedule Number(s) 610.49 - 10½%

3rd Quarter

4th Quarter

Base Price per Metric Ton \$741

\$777

Charges to CIF	Ocean Freight	Handling	Interest
West Coast		\$7	\$15
Gulf Coast	See Freight Table	5	19
Atlantic Coast		4	19
Great Lakes		4	24

Insurance 1½ of base price + extras + ocean freight

## Extras

- A. Outside Diameter/Wall Thickness
- B. Hot Finished and Quantity Extras
- C. Random Length Deductions on page 15-42 apply.

Note: All prices on pg. 15-18 through 15-40 are to be increased by 4.86 percent per tubing exported to the United States on/or after October 1, 1978.

BASE PRICES INCLUDING OD/WT  
EXTRAS (\$MT) SEAMLESS CARBON STEEL PRESSURE  
TUBING, COLD FINISH

OD Inches/ Wall Thickness	AISI 15		TSUSA		610.49			
	1/2	9/16	5/8	11/16	3/4	13/16	7/8	15/16
.035	4046	3704	3362	3134	2907	2793	2736	2679
.042	3590	3303	3134	3020	2793	3001	2451	2337
.045	3590	3303	3134	2850	3001	2565	2451	2337
.050	3305	3020	2850	3001	2394	2337	2223	2165
.055	3077	2793	3001	2451	2280	2165	2051	1994
.060	2907	2736	2451	2280	2165	2051	1937	1880
.065	2907	3001	2394	2165	2108	1994	1880	1766
.075	3001	2337	2136	1937	1880	1766	1652	1595
.085	2394	2108	1937	1766	1709	1595	1538	1481
.095	2280	1994	1823	1652	1595	1481	1424	1367
.105	2165	1880	1709	1538	1481	1367	1310	1253
.110	2108	1823	1652	1538	1453	1339	1310	1253
.125	1937	1709	1510	1424	1310	1225	1168	1139
.135	1937	1652	1481	1367	1253	1168	1139	1082
.150	1937	1652	1481	1310	1253	1139	1082	1025
.156				1310	1253	1139	1082	1025
.165					1253	1139	1082	1025
.180					1196	1139	1082	1025
.188					1196	1139	1082	1025
.203						1139	1082	1025
.220							1082	1082
.240								1082
.250								

Note: All above prices to be increased 4.86% for pressure tubing exported to the United States on or after October 1, 1978.

Seamless Carbon Steel Pressure Tubing, Cold Finish  
15-19

OD Inches/ Wall Thickness	1	1-1/16	1-1/8	1-3/16	1-1/4	1-5/16	1-3/8	1-7/16
.035	3001	2058	2451	2394	2394	2394	2394	2394
.042	2223	2165	2108	2108	2108	2108	2051	2051
.045	2223	2165	2108	2108	2108	2108	2051	1994
.050	2051	1994	1937	1937	1937	1937	1880	1823
.055	1880	1880	1880	1880	1880	1823	1766	1709
.060	1823	1766	1766	1766	1766	1709	1652	1652
.065	1709	1652	1652	1652	1652	1595	1538	1538
.075	1538	1481	1481	1481	1481	1424	1367	1367
.085	1424	1367	1367	1367	1367	1310	1253	1253
.095	1310	1253	1253	1225	1225	1168	1139	1139
.105	1253	1196	1168	1139	1139	1082	1082	1082
.110	1253	1196	1139	1111	1111	1082	1082	1082
.125	1139	1082	1025	1025	977	968	968	968
.135	1082	1025	1025	968	968	968	968	968
.150	1025	1025	1025	968	968	968	968	968
.156	1025	1025	1025	968	968	968	968	968
.165	1025	1025	1025	968	968	968	968	968
.180	1025	968	968	968	968	968	968	968
.188	1025	968	968	968	968	968	968	968
.203	1025	968	968	968	940	916	916	916
.220	1025	968	968	968	916	916	916	916
.240	1025	968	968	968	916	916	916	916
.250	1025	968	968	968	916	916	916	916

Note: All above prices are to be increased 4.86% for all tubing exported to the United States on or after October 1, 1978.

## Seamless Carbon Steel Pressure Tubing, Cold Finish

OD Inches/ Wall Thickness	1	1-1/16	1-1/8	1-3/16	1-1/4	1-5/16	1-3/8	1-7/16
.260			968	968	916	916	916	916
.284			968	916	883	855	855	855
.300				916	855	855	855	855
.313				916	855	855	855	855
.320					916	855	855	855
.340					916	855	855	855
.360					916	855	855	855
.375					916	855	855	855
.400							916	916
.420							968	968
.438							968	968
.460								
.500								
.531								
.563								
.594								
.625								
.688								
.750								
.813								
.875								
.938								
1.000								

Note: All above prices are to be increased 4.86% for all tubing exported to the United States on or after October 1, 1978.

## Seamless Carbon Steel Pressure Tubing, Cold Finish

OD Inches/ Wall Thickness	1-1/2	1-5/8	1-3/4	1-7/8	2	2-1/8	2-1/4	2-3/8
.035	2337	2337	2337	2337	2280	2280	2280	2280
.042	1994	1994	1994	1994	1937	1937	1937	1937
.045	1994	1994	1994	1997	1937	1937	1937	1937
.050	1823	1823	1823	1823	1766	1766	1766	1766
.055	1709	1709	1709	1709	1652	1652	1652	1652
.060	1595	1595	1595	1595	1538	1538	1538	1538
.065	1481	1481	1481	1481	1424	1424	1424	1424
.075	1310	1310	1310	1310	1253	1253	1253	1253
.085	1253	1196	1168	1168	1139	1139	1139	1139
.095	1139	1082	1082	1082	1025	1025	1025	1025
.105	1082	1025	1025	1025	968	968	968	968
.110	1082	1025	1025	1025	1025	968	968	968
.125	968	916	916	916	916	916	916	916
.135	968	916	916	916	916	916	916	916
.150	968	916	916	916	916	855	855	855
.156	968	916	916	916	916	855	855	855
.165	968	916	916	916	916	855	855	855
.180	968	916	855	855	855	855	855	855
.188	968	916	855	855	855	855	855	826
.203	916	855	855	855	855	855	855	826
.220	916	855	798	798	798	798	798	798
.240	916	855	798	798	798	798	798	798
.250	916	855	798	798	798	798	798	798

Note: All above prices to be increased 4.86% for all tubing exported to the United States on or after October 1, 1978.

## Seamless Carbon Steel Pressure Tubing, Cold Finish

OD Inches/ Wall Thickness	1-1/2	1-5/8	1-3/4	1-7/8	2	2-1/8	2-1/4	2-3/8
.260	916	855	798	798	798	798	798	798
.284	855	798	798	798	741	741	741	741
.300	855	798	798	798	741	741	741	741
.313	855	798	798	798	741	741	741	741
.320	855	798	798	798	741	741	741	741
.340	855	798	798	798	741	741	741	741
.360	855	798	798	798	741	741	741	741
.375	855	798	798	798	741	741	741	741
.400	916	855	855	798	741	741	741	741
.420	968	855	855	798	741	741	741	741
.438	968	916	855	798	741	741	741	741
.460	968	916	855	855	798	741	741	741
.480	968	916	855	855	798	741	741	741
.500	968	916	855	855	798	741	741	741
.531			916	855	798	741	741	741
.563			916	855	798	741	741	741
.594					798	798	798	798
.625					798	798	798	798
.688								
.750								
.813								
.875								
.938								
1.000								

Note: All above prices to be increased 4.86% for all tubing  
exported to the United States on or after October 1, 1978.

# Seamless Carbon Steel Pressure Tubing, Cold Finish

OD Inches/ Wall Thickness	2-1/2	2-5/8	2-3/4	2-7/8	3	3-1/8	3-1/4	3-3/8
.035	2337	2394	2451	2451	2058	2565	2565	2565
.042	1994	2051	2051	2051	2108	2165	2165	2165
.045	1880	1937	1937	1937	1994	2051	2051	2051
.050	1709	1766	1766	1766	1766	1766	1766	1766
.055	1595	1538	1538	1538	1595	1595	1595	1595
.060	1481	1411	1411	1411	1411	1411	1424	1424
.065	1367	1367	1367	1367	1424	1424	1424	1424
.075	1196	1196	1196	1196	1253	1253	1253	1253
.085	1082	1082	1082	1082	1139	1139	1139	1139
.095	1025	1025	1025	1025	1025	1025	1025	1025
.105	968	968	968	968	940	940	940	940
.110	968	968	968	940	916	916	916	916
.125	916	883	883	855	826	826	826	826
.135	883	855	826	798	798	798	798	798
.150	855	826	798	798	798	798	798	798
.156	855	826	798	798	798	798	798	798
.165	855	826	798	798	798	798	798	798
.180	826	798	798	798	798	798	798	798
.188	798	769	769	769	769	769	769	769
.203	798	769	741	741	741	741	741	741
.220	769	741	741	741	741	741	741	741
.240	769	741	741	741	741	741	741	741
.250	769	741	741	741	741	741	741	741

Note: All above prices to be increased 4.86% for all tubing exported to the United States on or after October 1, 1978.

## Seamless Carbon Steel Pressure Tubing, Cold Finish

OD Inches/ Wall Thickness	2-1/2	2-5/8	2-3/4	2-7/8	3	3-1/8	3-1/4	3-3/8
.260	769	741	741	741	741	741	741	741
.284	741	741	741	712	712	712	684	684
.300	741	741	741	712	684	684	684	684
.313	741	741	741	712	684	684	684	684
.320	741	741	741	712	684	684	684	684
.340	741	741	741	712	684	684	684	684
.360	741	741	741	712	684	684	684	684
.375	741	741	741	712	684	684	684	684
.400	741	741	741	712	684	684	684	684
.420	741	741	741	712	684	684	684	684
.438	741	741	741	712	684	684	684	684
.460	741	741	741	712	684	684	684	684
.480	741	741	741	712	684	684	684	684
.500	741	741	741	712	684	684	684	684
.531	741	741	712	684	684	684	684	684
.563	741	741	712	684	684	684	684	684
.594	741	741	741	741	712	684	684	684
.625	741	741	741	741	712	684	684	684
.688	798	798	798	769	741	741	741	712
.750	798	798	798	769	741	741	741	712
.813		798	798	769	741	741	741	712
.875		798	798	798	798	769	741	712
.938			798	798	798	798	798	769
1.000			798	798	798	798	798	769
1.125								741

Note: All above prices to be increased 4.86% for all tubing exported to the United States on or after October 1, 1978.

## Seamless Carbon Steel Pressure Tubing, Cold Finish

OD Inches/ Wall Thickness	3-1/2	3-5/8	3-3/4	3-7/8	4	4-1/8	4-1/4	4-3/8
.035								
.042								
.045								
.050								
.055								
.060	1538	1538						
.065	1481	1411	1411	1411				
.075	1310	1282	1282	1282	1310	1481	1481	1709
.085	1168	1139	1139	1139	1168	1310	1310	1481
.095	1054	1025	1025	1025	1054	1196	1196	1310
.105	968	940	940	940	940	1111	1111	1168
.110	940	916	916	916	916	1082	1082	1082
.125	855	855	855	855	855	940	940	940
.135	798	798	798	855	855	916	916	916
.150	798	798	798	798	798	855	855	855
.156	798	798	798	798	798	826	826	826
.165	798	798	798	798	798	798	798	798
.180	798	798	798	798	798	798	798	798
.188	769	769	769	769	769	769	798	798
.203	741	741	741	741	741	741	798	798
.220	741	741	741	741	741	741	798	798
.240	741	741	741	741	741	741	741	769
.250	741	741	741	741	741	741	741	741

Note: All above prices to be increased 4.86% for all tubing  
exported to the United States on or after October 1, 1978.

## Seamless Carbon Steel Pressure Tubing, Cold Finish

OD Inches/ Wall Thickness	3-1/2	3-5/8	3-3/4	3-7/8	4	4-1/8	4-1/4	4-3/8
.260	741	741	741	741	741	741	741	741
.284	684	684	684	684	684	684	684	684
.300	684	684	684	684	684	684	684	684
.313	684	684	684	684	684	684	684	684
.320	684	684	684	684	684	684	684	684
.340	684	684	684	684	684	684	684	684
.360	684	684	684	684	684	684	684	684
.375	684	684	684	684	684	684	684	684
.400	684	684	684	684	684	684	684	684
.420	684	684	684	684	684	684	684	684
.438	684	684	684	684	684	684	684	684
.460	684	684	684	684	684	684	684	684
.480	684	684	684	684	684	684	684	684
.500	684	684	684	684	684	684	684	684
.531	684	684	684	684	684	684	684	684
.563	684	684	684	684	684	684	684	684
.594	684	684	684	684	684	684	684	684
.625	684	684	684	684	684	684	684	684
.688	684	684	684	684	684	684	684	684
.750	684	684	684	684	684	684	684	684
.813	684	684	684	684	684	684	684	684
.875	684	684	684	684	684	684	684	684
.938	741	741	684	684	684	684	684	684
1.000	741	741	684	684	684	684	684	684

Note: All above prices to be increased 4.86% for all tubing exported to the United States on or after October 1, 1978.

## Seamless Carbon Steel Pressure Tubing, Cold Finish

OD Inches/ Wall Thickness	3-1/2	3-5/8	3-3/4	3-7/8	4	4-1/8	4-1/4	4-3/8
1.125	712	712	684	684	684	684	684	684
1.25				684	684	684	684	684
1.375								684

Note: All above prices to be increased 4.86% for all tubing  
exported to the United States on or after October 1, 1978.

## Seamless Carbon Steel Pressure Tubing, Cold Finish

OD Inches/ Wall Thickness	4-1/2	4-5/8	4-3/4	4-7/8	5	5-1/8	5-1/4	5-3/8
.042								
.045								
.050								
.055								
.060								
.065								
.075								
.085	1481	1481	1481	1481	1481	1481	1481	
.095	1310	1310	1310	1310	1310	1310	1310	1339
.105	1168	1168	1168	1196	1196	1196	1196	1196
.110	1082	1082	1082	1139	1139	1139	1139	1139
.125	940	940	940	1025	1025	1025	1025	1025
.135	916	916	916	940	940	940	940	940
.150	855	855	855	883	916	916	916	916
.156	855	855	855	855	916	916	916	916
.165	855	855	855	855	883	883	883	883
.180	855	855	855	855	855	855	855	855
.188	826	826	826	826	826	826	826	826
.203	798	798	798	798	798	798	798	798
.220	798	798	798	798	798	798	798	798
.240	798	798	798	798	798	798	798	798
.250	769	769	769	769	769	769	769	769

Note: All above prices to be increased 4.86% for all tubing exported to the United States on or after October 1, 1978.

## Seamless Carbon Steel Pressure Tubing, Cold Finish

OD Inches/ Wall Thickness	4-1/2	4-5/8	4-3/4	4-7/8	5	5-1/8	5-1/4	5-3/8
.260	769	769	769	769	769	769	769	769
.284	741	741	741	741	741	741	741	741
.300	712	712	712	712	712	712	712	712
.313	712	712	712	712	712	712	712	712
.320	712	712	712	712	712	712	712	712
.340	684	684	684	684	712	684	684	684
.360	684	684	684	684	684	684	684	684
.375	684	684	684	684	684	684	684	684
.400	684	684	684	684	684	684	684	684
.420	684	684	684	684	684	684	684	684
.438	684	684	684	684	684	684	684	684
.460	684	684	684	684	684	684	684	684
.480	684	684	684	684	684	684	684	684
.500	684	684	684	684	684	684	684	684
.531	684	684	684	684	684	684	684	684
.563	684	684	684	684	684	684	684	684
.594	684	684	684	684	684	684	684	684
.625	684	684	684	684	684	684	684	684
.688	684	684	684	684	684	684	684	684
.750	684	684	684	684	684	684	684	684
.813	684	684	684	684	684	684	684	684
.875	684	684	684	684	684	684	684	684
.938	684	684	684	684	684	684	684	684
1.000	684	684	684	684	684	684	684	684

Note: All above prices to be increased 4.86% for all tubing exported to the United States on or after October 1, 1978.

## Seamless Carbon Steel Pressure Tubing, Cold Finish

OD Inches/ Wall Thickness	4-1/2	4-5/8	4-3/4	4-7/8	5	5-1/8	5-1/4	5-3/8
1.125	684	684	684	684	684	684	684	684
1.250	684	684	684	684	684	684	684	684
1.375	684	684	684	684	684	684	684	684
1.500	684	684	684	684	684	684	684	684

Note: All above prices to be increased 4.86% for all tubing exported to the United States on or after October 1, 1978.

## Seamless Carbon Steel Pressure Tubing, Cold Finish

OD Inches/ Wall Thickness	5-1/2	5-3/4	6	6-1/4	6-1/2	6-5/8	6-3/4	7
.035								
.042								
.045								
.050								
.055								
.060								
.065								
.075								
.085								
.095	1310							
.105	1196	1196	1310	1310				
.110	1196	1196	1253	1253	1253	1253	1253	
.125	1082	1082	1111	1111	1111	1111	1111	1253
.135	1025	1025	1054	1054	1054	1054	1054	1196
.150	968	968	968	968	968	968	968	1082
.156	968	968	968	968	968	968	968	1082
.165	940	940	940	940	940	968	968	1025
.180	916	916	916	916	916	916	916	968
.188	883	883	883	883	883	916	916	968
.203	855	855	855	855	855	855	855	916
.220	855	855	855	855	855	855	855	855
.240	798	798	798	798	798	798	798	798
.250	769	769	769	769	769	769	769	769
.260	769	769	769	769	769	769	769	769
.284	741	712	712	712	712	712	712	712

Note: All above prices to be increased 4.86% for all tubing exported to the United States on or after October 1, 1978.

## Seamless Carbon Steel Pressure Tubing, Cold Finish

OD Inches/ Wall Thickness	5-1/2	5-3/4	6	6-1/4	6-1/2	6-5/8	6-3/4	7
.300	712	684	684	684	684	684	684	684
.313	684	684	684	684	684	684	684	684
.320	684	684	684	684	684	684	684	684
.340	684	684	684	684	684	684	684	684
.360	684	684	684	684	684	684	684	684
.375	684	684	684	684	684	684	684	684
.400	684	684	684	684	684	684	684	684
.420	684	684	684	684	684	684	684	684
.438	684	684	684	684	684	684	684	684
.460	684	684	684	684	684	684	684	684
.480	684	684	684	684	684	684	684	684
.500	684	684	684	684	684	684	684	684
.531	684	684	684	684	684	684	684	684
.563	684	684	684	684	684	684	684	684
.594	684	684	684	684	684	684	684	684
.625	684	684	684	684	684	684	684	684
.688	684	684	684	684	684	684	684	684
.750	684	684	684	684	684	684	684	684
.813	684	684	684	684	684	684	684	684
.875	684	684	684	684	684	684	684	684
.938	684	684	684	684	684	684	684	684
1.000	684	684	684	684	684	684	684	684

Note: All above prices to be increased 4.86% for all tubing exported to the United States on or after October 1, 1978.

## Seamless Carbon Steel Pressure Tubing, Cold Finish

OD Inches/ Wall Thickness	5-1/2	5-3/4	6	6-1/4	6-1/2	6-5/8	6-3/4	7
1.125	684	684	684	684	684	684	684	684
1.250	684	684	684	684	684	684	684	684
1.375	684	684	684	684	684	684	684	684
1.500	684	684	684	684	684	684	684	684
1.625	684	684	684	684	684	684	684	684
1.750			684	684	684	684	684	684
1.875			684	684	684	684	684	684
2.000			684	684	684	684	684	684

# Seamless Carbon Steel Pressure Tubing, Cold Finish

OD Inches/ Wall Thickness	7-1/4	7-1/2	7-5/8	7-3/4	8	8-1/4	8-1/2	8-5/8
.035								
.042								
.045								
.050								
.055								
.060								
.065								
.075								
.085								
.095								
.105								
.110								
.125								
.135	1253	1310						
.150	1139	1168	1162	1162				
.156	1110	1134	1134	1134				
.165	1082	1082	1082	1082				
.180	997	997	997	997				
.188	968	968	968	968	968	997	997	997
.203	912	912	912	912	912	940	940	940
.220	855	855	855	855	855	883	883	883
.240	798	798	798	798	798	826	826	826
.250	769	769	769	769	769	798	798	798
.260	769	769	769	769	769	798	798	798

Note: All above prices to be increased 4.86% for all tubing  
exported to the United States on or after  
October 1, 1978.

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## Seamless Carbon Steel Pressure Tubing, Cold Finish

OD Inches/ Wall Thickness	7-1/4	7-1/2	7-5/8	7-3/4	8	8-1/4	8-1/2	8-5/8
.284	737	737	737	737	737	737	737	737
.300	737	737	737	737	737	737	737	737
.313	737	737	737	737	737	737	737	737
.320	737	737	737	737	737	737	737	737
.340	737	737	737	737	737	737	737	737
.360	737	737	737	737	737	737	737	737
.375	737	737	737	737	737	737	737	737
.400	709	709	709	709	709	709	709	709
.420	684	684	684	684	684	684	684	684
.438	684	684	684	684	684	684	684	684
.460	684	684	684	684	684	684	684	684
.480	684	684	684	684	684	684	684	684
.500	684	684	684	684	684	684	684	684
.531	684	684	684	684	684	684	684	684
.563	684	684	684	684	684	684	684	684
.594	684	684	684	684	684	684	684	684
.625	684	684	684	684	684	684	684	684
.688	684	684	684	684	684	684	684	684
.750	684	684	684	684	684	684	684	684
.813	684	684	684	684	684	684	684	684
.875	684	684	684	684	684	684	684	684
.938	684	684	684	684	684	684	684	684
1.000	684	684	684	684	684	684	684	684

Note: All above prices to be increased 4.86% for all tubing  
exported to the United States on or after  
October 1, 1978.

## Seamless Carbon Steel Pressure Tubing, Cold Finish

OD Inches/ Wall Thickness	7-1/4	7-1/2	7-5/8	7-3/4	8	8-1/4	8-1/2	8-5/8
1.125	684	684	684	684	684	684	684	684
1.25	684	684	684	684	684	684	684	684
1.375	684	684	684	684	684	684	684	684
1.500	684	684	684	684	684	684	684	684
1.625	684	684	684	684	684	684	684	684
1.750	684	684	684	684	684	684	684	684
1.875	684	684	684	684	684	684	684	684
2.000	684	684	684	684	684	684	684	684

Note: All above prices to be increased 4.86% for all tubing  
exported to the United States on or after  
October 1, 1978.

## Seamless Carbon Steel Pressure Tubing, Cold Finish

OD Inches/ Wall Thickness	8-3/4	9	9-1/4	9-1/2	9-3/4	10	10-1/4	10-1/2
0.125								
.135								
.150								
.156								
.180								
.203								
.220	1054	1111	1139	1196	1253	1282	1510	1823
.240	940	997	1025	1054	1139	1310	1367	1624
.250	883	940	968	997	1025	1253	1310	1510
.260	826	883	912	912	968	1196	1253	1282
.284	741	798	798	798	855	1054	1139	1282
.300	741	798	798	798	798	940	997	1196
.313	741	798	798	798	798	883	940	1139
.320	741	798	798	798	798	883	940	1054
.340	741	798	798	798	798	883	940	997
.360	741	798	798	798	798	883	940	968
.375	741	798	798	798	798	883	883	940
.400	741	798	798	798	798	883	883	940
.420	741	798	798	798	798	883	883	940
.438	741	798	798	798	798	883	883	940
.460	741	798	798	798	798	883	883	940
.480	741	798	798	798	798	883	883	940
.500	741	769	769	769	769	883	883	912

Note: All above prices are to be increased 4.86% for all tubing  
exported to the United States on or after  
October 1, 1978.

# Seamless Carbon Steel Pressure Tubing, Cold Finish

OD Inches/ Wall Thickness	8-3/4	9	9-1/4	9-1/2	9-3/4	10	10-1/4	10-1/2
.531	741	741	741	741	741	883	883	883
.563	741	741	741	741	741	883	883	883
.594	741	741	741	741	741	883	883	883
.625	741	741	741	741	741	883	883	883
.688	741	741	741	741	741	883	883	883
.750	741	741	741	741	741	883	883	883
.813	741	741	741	741	741	883	883	883
.875	741	741	741	741	741	883	883	883
.938	741	741	741	741	741	883	883	883
1.000	741	741	741	741	741	883	883	883
1.125	741	741	741	741	741	883	883	883
1.250	741	741	741	741	741	883	883	883
1.375	741	741	741	741	741	883	883	883
1.500	741	741	741	741	741	883	883	883
1.625	741	741	741	741	741	883	883	883
1.750	741	741	741	741	741	883	883	883
1.875	741	741	741	741	741	883	883	883
2.000	741	741	741	741	741	883	883	883

Note: All above prices to be increased 4.86% for all tubing  
exported to the United States on or after  
October 1, 1978.

## Seamless Carbon Steel Pressure Tubing, Cold Finish

OD Inches/            10-3/4  
Wall Thickness

.125	
.135	
.150	
.156	
.165	
.180	
.188	
.203	
.220	1823
.240	1624
.250	1510
.260	1453
.284	1282
.300	1196
.313	1139
.320	1139
.340	1054
.360	1025
.375	997
.400	940
.420	940
.438	940
.460	940
.480	940
.500	912
.531	883

Note: All above prices to be increased 4.86% for all tubing  
exported to the United States on or after October 1, 1978.

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## Seamless Carbon Steel Pressure Tubing, Cold Finish

OD Inches/  
Wall Thickness

10-3/4

.563	883
.594	883
.625	883
.688	883
.750	883
.813	883
.875	883
.958	883
1.000	883
1.125	883
1.250	883
1.375	883
1.500	826
1.625	826
1.750	826
1.875	826
2.000	826

Note: All above prices to be increased 4.86% for all tubing  
exported to the United States on or after  
October 1, 1978.

HOT FINISHED TUBES ----- 20% deduction

QUANTITY EXTRAS

The total quantity of one size (OD and wall thickness) of one analysis, one shape, one grade of hot finishing or of cold finishing, identically packaged and identically shipped determines the quantity extras.

<u>Quantity Brackets</u>	<u>Extras</u>
Under 150 lbs. or 150 ft.	+210%
150 to 299 lbs. or feet inclusive	+135%
300 to 599 " " " "	+ 95%
600 to 1,999 lbs. or feet inclusive	+ 75%
2,000 to 4,999 lbs. or feet inclusive	+ 45%
5,000 to 9,999 " " " "	+ 30%
10,000 to 19,999 lbs. or feet inclusive	+ 20%
20,000 to 29,999 " " " "	+ 10%
30,000 to 39,999 " " " "	+ 5%
40,000 lbs. or feet or over	base

### Random Length Deductions

Random mill lengths of 5' and longer or with an average  
length within the range of lengths (10' through 30')  
with a selection range of not less than 7'..... - 5%

Selected random lengths with a spread of 6' to under  
7' ..... - 4%

Selected random lengths with a spread of 4' to under  
6' ..... - 3%

Selected random lengths with a spread of 2' to under  
4' ..... - 2%

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SEAMLESS CARBON STEEL OIL WELL TUBING EUE WITH THREADING AND  
COUPLING

Category AISI 15

Tariff Schedule Number(s) 610.49 10 1/2%

3rd Quarter

4th Quarter

Base Price per Metric Ton \$580

\$608

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	See Freight	\$7	\$12
Gulf Coast	Table	5	15
Atlantic Coast		4	15
Great Lakes		4	19

Insurance 1% of base price + extras + ocean freight

Extras

A. Outside Diameter/Wall Thickness and Grade Extras

Notes: 1.) All prices on pg. 15-44 are to be increased by  
4.86 percent for oil well tubing exported to the  
United States on/or after October 1, 1978.

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BASE PRICES INCLUDING OD, GRADE EXTRAS  
(\$/MT)

Seamless Carbon Steel Oil Well Tubing, EUE with  
Threading and Coupling

AISI 15		TSUSA 610.49		
Outside Diameter (inches)	Grade	H40 J55 K55	N80 C75 L80 L90 Others 80-85	P105 Others 90 and up
2 3/8" and under		638	812	981
2 7/8"-4"		580	737	888

Note: All above prices are to be increased 4.86% on all oil well tubing exported to the United States on or after October 1, 1978.

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## SEAMLESS CARBON STEEL LINE PIPE

Category AISI 15

Tariff Schedule Number(s) 610.49 - 10 1/2%

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$395	\$414

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	See Freight	\$7	\$8
Gulf Coast	Table	5	11
Atlantic Coast		4	11
Great Lakes		4	14

Insurance 1% of base price + extras + ocean freight

## Extras

- A. Outside Diameter/Wall Thickness
- B. Grade, Threaded and Coupled, Galvanized

Note: All prices on pgs. 15-46 & 15-47 are to be increased by 4.86 percent for pipe exported to the United States on/or after Oct. 1, 1978.

## BASE PRICES INCLUDING OD/WT EXTRAS

## Seamless Carbon Steel Line Pipe

ASTM A 53 Grades A and B, Black, Plain End

(AISI 15; TSUSA 610.49)

Dimensions			Dimensions		
Outside Diameter (inches)	Wall Thickness (inches)	(\$/MT)	Outside Diameter (inches)	Wall Thickness (inches)	(\$/MT)
2 3/8	0.154	531	8 5/8	0.277	413
2 3/8	0.218	488	8 5/8	0.322	407
2 3/8	0.436	517	8 5/8	0.500	420
			8 5/8	0.875	461
2 7/8	0.203	449	10 3/4	0.279	409
2 7/8	0.276	458	10 3/4	0.307	407
2 7/8	0.552	488	10 3/4	0.365	400
			10 3/4	0.500	410
3 1/2	0.216	437	12 3/4	0.330	414
3 1/2	0.300	446	12 3/4	0.375	406
3 1/2	0.600	477	12 3/4	0.500	416
4	0.226	445			
4	0.318	450			
4	0.636	492			
4 1/2	0.237	436			
4 1/2	0.337	441			
4 1/2	0.674	480			
5 9/16	0.258	471			
5 9/16	0.375	459			
5 9/16	0.750	488			
6 5/8	0.280	416			
6 5/8	0.432	426			
6 5/8	0.864	462			

Note: All above prices are to be increased 4.86% for all line pipe exported to the United States on or after October 1, 1978.

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## SEAMLESS CARBON STEEL LINE PIPE

Grade:

Grades A and B

Base

ASTM A106

+ 5%

API 5LX

X42

+ \$ 3/MT

X46

+ \$ 5/MT

X52

+ \$16/MT

Threaded and Coupled:

NB ½" - 3/4"

\$ 127/MT

1" - 1½"

\$ 84/MT

2" - 6"

\$ 63/MT

8" - 14"

58/MT

Galvanized:

NB ½" - 3/4"

\$ 190/MT

1" - 1½"

135/MT

2" - 6"

58/MT

8" - 14"

53/MT

Note: All above dollar value extras are to be increased by 4.86% for all line pipe exported to the United States on or after October 1, 1978.

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Hot Rolled, High Carbon CR Steel Tube, Suitable for Use in Manufacture of  
Ball or Roller Bearings AISI 52100, 60mm to 100mm

Category AISI 15

Tariff Schedule Number (s) 610.4600 13% + additional duties (see Headnote  
4, TSUS)

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$563	\$590

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$63	\$7	\$12
Gulf Coast	69	5	16
Atlantic Coast	85	4	16
Great Lakes	94	4	21

Insurance 1% of base price + extras + ocean freight

Extras

None

Cold Rolled, High Carbon Cr Steel Tube, Suitable for Use in Manufacture of Ball or Roller Bearings AISI 52100, 60mm to 100mm.

Category AISI 15

Tariff Schedule Number (s) 610.4600 13% + additional duties (see Headnote

3rd Quarter 4th Quarter<sup>4, TSUS)</sup>

Base Price per Metric Ton \$836 \$877

Charges to CIF Ocean Freight Handling Interest

West Coast	\$63	\$7	\$18
Gulf Coast	69	5	23
Atlantic Coast	85	4	23
Great Lakes	94	4	29

Insurance 1% of base price + extras + ocean freight

Extras

None

Seamless Stainless Steel Round Ornamental Tube AISI TP 304, 1 1/4 x 0.049"

Category AISI 15

Tariff Schedule Number (s) 610.5235 13% + additional duties (see Headnote  
4, TSUS)

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$1897	\$1989

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$59	\$7	\$39
Gulf Coast	86	5	50
Atlantic Coast	86	4	50
Great Lakes	86	4	62

Insurance 1% of base price + extras + ocean freight

Extras

A. Size

B. Grade

Note: All dollar value extras on page 15-51 are to be increased 4.86 percent for tube exported to the United States on/or after October 1, 1978.

## Size Extras for Seamless Stainless Steel Round Tube (TSUSA 610.5235)

Size (Inches)

<u>OD</u>	<u>WT</u>	<u>% of Base Price Extra</u>
1 1/4	0.049	Base
1	0.049	0.9%
3/4	0.049	4.4%

Grade\$ Extra/MT

AISI 304	Base
AISI 410	-440
AISI 430	-528

Note: Above dollar value extras are to be increased  
4.86% for all tube exported to the United States on  
or after October 1, 1978.

Seamless Stainless Steel Square Ornamental Tube AISI TP 304, 1 1/2 x 1 1/2 x 0.065"
--

Category AISI 15

Tariff Schedule Number (s) 610.5235 13% + additional  
duties (see Headnote 4, TSUS)

	3rd Quarter	4th Quarter	
Base Price per Metric Ton	\$2067	\$2167	
Charges to OIF	Ocean Freight	Handling	Interest
West Coast	\$59	\$7	\$42
Gulf Coast	86	5	55
Atlantic Coast	86	4	55
Great Lakes	86	4	68
Insurance 1% of base price + extras + ocean freight			

Extras

A. Size

B. Grade

Note: All dollar value extras on page 15-53 are to be increased 4.86 percent for tube exported to the United States on/or after October 1, 1978.

## Size Extras for Seamless Stainless Steel Square Ornamental Tube

<u>Size</u>	<u>% of Base Price Extra</u>
1 1/2" x 1 1/2" x 0.065"	Base
1 1/4" x 1 1/4" x 0.065"	2.6 %
1 1/4" x 1 1/4 x 0.049"	3.2 %
1 1/8" x 1 1/8 x 0.065	2.7 %
1 x 1 x 0.065"	2.8 %
1 x 1 x 0.049"	3.5 %
5/8 x 5/8 x 0.049"	8.0 %
<u>Grade</u>	<u>\$ Extra/M.T.</u>
AISI 304	Base
AISI 410	-440
AISI 430	-528

Note: Above dollar value extras are to be increased by 4.86% for all tubes exported to the United States on or after October 1, 1978.

Cold Heading	Round Wire	AISI 1018,
	Killed, 0.192"	

Category AISI 16

Tariff Schedule Numbers	609.4105	0.3¢ per lb.
	609.4125	0.3¢ per lb.
	609.4305	8 1/2 %
	609.4315	8 1/2 %

Base Price per Metric Ton                      3rd Quarter                      4th Quarter  
(See table below for base prices of various processes).

Charges to CIF	Ocean Freight	Handling	Interest		
			A	B	C
West Coast	\$41	\$7	\$8	\$9	\$10
Gulf Coast	44	5	10	12	13
Atlantic Coast	46	4	10	12	13
Great Lakes	60	4	13	15	16

Insurance 1% of base price + extras + ocean freight.

Base Prices for various processing:

Process	Base Price per Metric Ton		Interest Charge
	3rd Quarter	4th Quarter	
1. Hard drawn	\$422	\$443	A
2. Drawn from annealed rods	480	503	B
3. Drawn from spheroidized annealed rods	490	514	B
4. Anneal in process	494	518	B
5. Spherodize Anneal in process	503	527	B
6. Anneal in process and drawn from annealed rods	532	558	C
7. Spherodize anneal in process and drawn from annealed rods	541	567	C
8. Anneal at finish size	480	503	B
9. Spherodize anneal in process	490	514	B
10. Anneal at finished size & drawn from annealed rods	517	542	C
11. Spherodize anneal at finished size and drawn from annealed rods	528	554	C

Extras

See "Extras" pg. 16-2 and 16-3

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GRADE EXTRAS FOR COLD HEADING WIRE

\$ Extra /M.T.

<u>Grade</u>	3rd Quarter base	4th Quarter base
AISI 1006 Killed through 1022 Killed Steel		
AISI 1010 Rimmed Steel	-13	-14
AISI 1038 Killed Steel	+17	+18
AISI 10B21 Killed Steel	+21	+22

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3rd Quarter SIZE EXTRAS FOR COLD HEADING WIRE (\$ EXTRA/M.T.)

Size (Inches)	Processing Number <sup>a)</sup>			
	(1)	(2) and (3)	(4) thru (7)	(8) thru (11)
0.437 thru 0.999	12	12	0	0
0.192 thru 0.436	base	base	base	base
0.135 thru 0.191	8	8	15	15
0.105 thru 0.134	15	15	31	31
0.080 thru 0.104	26	26	65	43
0.062 thru 0.079	35	35	110	70

4th Quarter Size Extras for Cold Heading Wire (\$Extra/MT)

Size (inches)	Processing Number <sup>a)</sup>			
	(1)	(2) and (3)	(4) thru (7)	(8) thru (11)
0.437 thru 0.999	13	13	0	0
0.192 thru 0.436	base	base	base	base
0.135 thru 0.191	8	8	16	16
0.105 thru 0.134	16	16	33	33
0.080 thru 0.104	27	27	68	45
0.062 thru 0.079	38	38	115	73

## a) Processing numbers and descriptions:

- (1) Hard Drawn
- (2) Drawn from Annealed Rods
- (3) Drawn from Spheroidized Annealed Rods
- (4) Anneal in Process
- (5) Spheroidized Anneal in Process
- (6) Anneal in Process & Drawn from Annealed Rods
- (7) Spheroidize Anneal in Process & Drawn from Annealed Rods
- (8) Anneal at Finished Size
- (9) Spheroidize Anneal at Finished Size
- (10) Anneal at Finished Size & drawn from Annealed Rods
- (11) Spheroidize Anneal at Finished Size and Drawn from Annealed Rods

Bright Basic Round Wire, AISI 1008, #8 gauge Rimmed

Category AISI 16

Tariff Schedule Number (s)	609.4010	8 1/2%	
	609.4105	0.3¢ per lb.	
	609.4125	0.3¢ per lb.	
		3rd Quarter	4th Quarter
Base Price per Metric Ton	\$347		\$364

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$40	\$7	\$ 6
Gulf Coast	42	5	8
Atlantic Coast	45	4	8
Great Lakes	60	4	11

Insurance 1% of base price + extras + ocean freight

Extras

See "Extras" Tables pg. 16- 6 and pg. 16- 7.

**Galvanized Iron Round Wire, AISI**

**Type I Coating, #8 gauge**

Category AISI 16

Tariff Schedule Number (s) 609.4040 8 1/2%  
609.4165 0.3¢ per lb.

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$437	\$458

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$40	\$7	\$ 8
Gulf Coast	41	5	11
Atlantic Coast	45	4	11
Great Lakes	60	4	13

Insurance 1% of base price + extras + ocean freight

Extras

See "Extras" Tables pg. 16- 6 and pg. 16- 7.

Size Extras For Bright Basic Wire  
And Galvanized Iron Wire

<u>\$ Extra/M.T.</u>				
<u>Gauge</u>	<u>Bright Basic Wire</u>		<u>Galv. Iron Wr.</u>	
	3rd Quarter	4th Quarter	3rd Qt	4th Qt.
8	base	base	base	base
9	6	6	13	14
10	8	8	17	18
11	11	12	23	24
12	13	14	33	35
13	17	18	41	43
14	21	22	50	52
15	31	33	63	66
16	39	41	76	80
17	47	49	94	99
18	57	60	112	117
19	68	71	134	141
20	81	85	155	163

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PACKING EXTRAS FOR BRIGHT BASIC WIRE  
AND GALVANIZED IRON WIRE

<u>Packing Description</u>	<u>3rd Quarter</u> <u>\$ Extra/M.T</u>	<u>4th Quarter</u> <u>\$ Extra/M.T.</u>
Bare Coil	Base	Base
Paper Wrapping	13	14
Polypropylene-backed Paper Wrapping	21	22
Paper and Hessian Wrapping	31	33

Round Baling Wire, 14.50
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Category AISI 16

Tariff Schedule Number (s) 609.4120 0.3¢ per lb.

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$484	\$508

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$40	\$7	\$ 9
Gulf Coast	41	5	12
Atlantic Coast	45	4	12
Great Lakes	60	4	15

Insurance 1% of base price + extras + ocean freight

Extras

None

Bright Annealed Cold Drawn Stainless Steel Wire, AISI 304, 0.080"
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Category AISI 16

Tariff Schedule Number (s) 609.4540 10 1/2% + additional duties (see  
Headnote 4, T.S.U.S)

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$2302	\$2414

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$ 93	\$7	\$44
Gulf Coast	109	5	57
Atlantic Coast	109	4	57
Great Lakes	142	4	71

Insurance 1% of base price + extras + ocean freight

Extras

See "Extras" Table pg. 16-10

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SIZE EXTRAS FOR COLD DRAWN, BRIGHT ANNEALED  
(or ANNEALED AND PICKLED) STAINLESS STEEL WIRE

<u>Size (Inches)</u>	3rd Quarter <u>\$ Extra/M.T.</u>	4th Quarter <u>\$Extra/M.T.</u>
0.200	-150	-157
0.131	- 83	- 87
0.080	Base	Base
0.040	123	129
0.032	219	230
0.020	668	700
0.016	791	829
0.012	1126	1181
0.008	1587	1664

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Spring Hard Temper, Nickel Copper and Plastic Coat, Cold Drawn Stainless Steel Wire, AISI 302, 0.040"

Category AISI 16

Tariff Schedule Number (s) 609.4510 10 1/2% + additional duties (see Head-note 4, T.S.U.S.)

	3rd Quarter	4th Quarter	
Base Price per Metric Ton	\$2896	\$3037	
Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$ 93	\$7	\$55
Gulf Coast	109	5	72
Atlantic Coast	109	4	72
Great Lakes	142	4	89

Insurance 1% of base price + extras + ocean freight

Extras

None

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Cold Heading Quality, Copper and Molybdenum Coat, Cold Drawn Stainless Steel Wire, ASTM 493A, XM-7, 0.131"

Category AISI 16

Tariff Schedule Number (s) 609.4540 10 1/2% + additional duties (see Head-note 4, T.S.U.S.)

3rd Quarter

4th Quarter

Base Price per Metric Ton \$2482

\$2603

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$ 93	\$7	\$47
Gulf Coast	109	5	62
Atlantic Coast	109	4	62
Great Lakes	142	4	77

Insurance 1% of base price + extras + ocean freight

Extras

None

Cold Heading Quality, Copper and Molybdenum Coat, Cold Drawn Stainless Steel Wire, AISI 305, 0.131"

Category AISI 16

Tariff Schedule Number (s) 609.4540 10 1/2% + additional duties (see Headnote 4, T.S.U.S.)

	3 rd Quarter	4th Quarter
Base Price per Metric Ton	\$2549	\$2673

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$ 93	\$7	\$48
Gulf Coast	109	5	63
Atlantic Coast	109	4	63
Great Lakes	142	4	70

Insurance 1% of base price + extras + ocean freight

Extras

None

Cold Heading Quality, Copper and Molybdenum Coat, Cold Drawn Stainless Steel Wire, AISI 410, 0.131"

Category AISI 16

Tariff Schedule Number (s) 609.4540 10 1/2% + additional Duties (see Headnote 4, T.S.U.S.)

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$1648	\$1728

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$ 93	\$7	\$31
Gulf Coast	109	5	41
Atlantic Coast	109	4	41
Great Lakes	142	4	51

Insurance 1% of base price + extras + ocean freight

Extras

None

Cold Heading Quality, Copper and Molybdenum Coat, Cold Drawn Stainless Steel Wire, AISI 430, 0.131"

Category AISI 16

Tariff Schedule Number (s) 609.4540 10 1/2% + additional duties (see Headnote 4, T.S.U.S.)

	3rd Quarter	4th Quarter	
Base Price per Metric Ton	\$1690	\$1772	
Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$ 93	\$7	\$32
Gulf Coast	109	5	42
Atlantic Coast	109	4	42
Great Lakes	142	4	52

Insurance 1% of base price + extras + ocean freight

Extras

None

Cold Finished, Spheroidized Annealed,  
SI-MN-CR High Carbon Steel Wire  
AISI 9254, 5.5mm to 13mm

Category AISI 16

Tariff Schedule Number(s) 609.4560 10.5% ad val. + additional duties  
(see headnote 4, TSUS)

	3rd Quarter	4th Quarter
Base Price Per Metric Ton	\$471	\$494

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$58	\$7	\$10
Gulf Coast	69	5	13
Atlantic Coast	72	4	13
Great Lakes	79	4	16

Insurance 1% of base price + extras + ocean freight

Extras:

- (1) Grade Extras
- (2) Size Extras
- (3) Thermal Treatment
- (4) Vacuum Degassed Extra
- (5) Cold Finish Extra

Spheroidized Annealed, SI-MN-CR High Carbon Steel Wire  
(Continued)

1. Grade Extras (per MT)

<u>AISI Number</u>	<u>3rd Quarter Extra (\$/MT)</u>	<u>4th Quarter Extra (\$/MT)</u>
9260	Minus 19	Minus 20
5150, 5155, 5160	Minus 53	Minus 56
6150	10	10

Boron Extra (if specified) \$21/MT

2. Size Extras

<u>Size</u>	<u>3rd Quarter Extra (\$/MT)</u>	<u>4th Quarter Extra (\$/MT)</u>
Over 13mm but less than 19mm	Minus 26	Minus 27
19mm and over	Minus 37	Minus 39

3. Thermal Treatment Extras  
Regular Anneal only  
No heat treatment

Extra \$/MT
Minus 21
Minus 63
Minus 22
Minus 66

4. Vacuum Degassed Extra

\$12	\$13
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5. Cold Finish Extra

Size (Inches)

0.812-0.999	\$137	144
0.688-0.811	137	144
0.625-0.687	148	155
0.562-0.624	148	155
0.500-0.561	148	155
0.438-0.499	179	188
0.375-0.437	179	188
0.312-0.374	179	188
0.250-0.311	222	233
0.188-0.249	253	265
0.125-0.187	295	309
0.094-0.124	<b>338</b>	354
0.062-0.093	390	409

Cold Finished Spheroidized Annealed  
MO ALLOY STEEL WIRE  
AISI 4037, 5.5mm to 13mm

Category 16

Tariff Schedule Number(s) 609.4560 10.5% ad val  
+ additional duties (see headnote 4, TSUS)

		3rd Quarter	4th Quarter
Base Price per Metric Ton		\$492	\$516
Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$58	\$7	\$10
Gulf Coast	69	5	13
Atlantic Coast	72	4	14
Great Lakes	79	4	17

Insurance 1% of base price + extras + ocean Freight

Extras

- (1) Grade Extras
- (2) Size Extras
- (3) Thermal Treatment Extras
- (4) Aircraft Quality Extra
- (5) Bearing Quality Extra
- (6) Vacuum Degassed Extra
- (7) Cold Finished Extra

Cold Finished Spheroidized Annealed  
MO ALLOY STEEL WIRE  
(Continued)

1. Grade Extra - see grade extras table, pp 2-10. 2-11

2. Size Extras	3rd Quarter	4th Quarter
<u>Size</u>	<u>Extra (\$MT)</u>	<u>Extra(\$MT)</u>
over 13mm but less than 19mm	Minus 26	Minus 27
19 mm and over	Minus 37	Minus 39

3. Thermal Treatment Extras	<u>Extra (\$/MT)</u>	
Regular Anneal only	Minus 21	Minus 22
No heat treatment	Minus 63	Minus 66

4. Aircraft Quality Extra	\$26	27
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5. Bearing Quality Extra	\$26	27
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6. Vacuum Degassed Extra	\$12	13
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(This extra is not charged when requirements are subject  
to extra aircraft and/or bearing quality)

7. Cold Finished Extra	3rd Quarter	4th Quarter
<u>Size</u>	<u>Extra (\$/MT)</u>	<u>Extra (\$/MT)</u>
0.812-0.999	\$137	\$144
0.688-0.811	137	144
0.625-0.687	148	155
0.562-0.624	148	155
0.500-0.561	148	155
0.438-0.499	179	188
0.375-0.437	179	188
0.312-0.374	179	188
0.250-0.311	222	233
0.188-0.249	253	265
0.125-0.187	295	309
0.094-0.124	338	354
0.062-0.93	390	409

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WIRE NAILS BRIGHT COMMON	20d # 6 x 13/32 x 4"
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Category AISI 20

Tariff Schedule Number (s)      646.2500 - 0.5¢ per lb.  
    646.2622 - 0.1¢ per lb.  
    through  
    646.2648

3rd Quarter

4th Quarter

Base Price per Metric Ton      \$404

\$424

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$42	\$7	\$11
Gulf Coast	50	5	14
Atlantic Coast	60	4	14
Great Lakes	68	4	18

Insurance 1% of base price + extras + ocean freight

## Extras

1. General Extras - see Table 1, pg. 20-2.
2. Regular and Semi-Regular Wire Nails - see Table 2, pg. 20-3 thru pg. 29-9.
3. Smooth Shank Specialty Wire Nails - see pg. 20-10 - pg. 20-13. Special Order Size Extras, see pg. 20-14.
4. Ring, Screw and Fluted Shank Specialty Wire Nails, see pg. 20-15. Special Order Size Extras, see pg. 20-19.

Note: All Extras on pgs 20-2 through pgs 20-19 are to be increased 4.86% for all nails exported to the United States after October 1, 1978.

Table I.  
General Extras

I.	MACHINE USE QUALITY		per 50 lbs.	\$,84
II.	PACKING STANDARD	50 lbs. Carton (loose)		base
		100 lbs. Carton		\$0
		1 lb. x 50		\$4.22
		5 lbs. x 10		\$2.95
III.	PALLETIZING		per 50 lbs.	\$0.42
IV.	QUANTITY EXTRA			
	Less than 2,400 lbs. per	Size Order Marking Destination Shipment		\$0.32 per 50 lbs.

Regular and Semi - Regular Nail Extras ( \$ Extra / 50 lbs.)

<u>TYPE/SIZE</u>		<u>TOTAL EXTRA</u>	<u>SIZE EXTRA</u>	<u>E/G EXTRA</u>
<u>(1) Bright Common Nails</u>				
2 d	ASWG # 15 x 11/64" x 1"	\$2.37		(\$2.37)
3 d	# 14 x 13/64" x 1-1/4"	1.95		( 1.95)
4 d	# 12-1/2 x 1/4" x 1-1/2"	1.58		( 1.58)
5 d	# 12-1/2 x 1/4 x 1-3/4"	1.27		( 1.27)
6 d	# 11-1/2 x 17/64" x 2"	0.84		( 0.84)
7 d	# 11-1/2 x 17/64" x 2-1/4"	0.79		( 0.79)
8 d	# 10-1/4 x 9/32" x 2-1/2"	0.63		( 0.63)
9 d	# 10-1/4 x 9/32" x 2-3/4"	0.63		( 0.63)
10 d	# 9 x 5/16" x 3"	0.53		( 0.53)
12 d	# 9 x 5/16" x 3-1/4"	0.53		( 0.53)
16 d	# 8 x 11/32" x 3-1/2"	0.42		( 0.42)
20 d	# 6 x 13/32" x 4"	Base		( Base)
30 d	# 5 x 7/16" x 4-1/2"	0.79		( 0.79)
40 d	# 4 x 15/32" x 5"	0.79		( 0.79)
50 d	# 3 x 1/2" x 5-1/2"	0.79		( 0.79)
60 d	# 2 x 17/32" x 6"	1.00		( 1.00)
<u>(2) Bright Smooth Box Nails</u>				
2 d	ASWG # 15-1/2 x 3/16" x 1"	\$2.95		(\$2.95)
3 d	# 14-1/2 x 7/32" x 1-1/4"	2.32		( 2.32)
4 d	# 14 x 7/32" x 1-1/2"	1.90		( 1.90)
5 d	# 14 x 7/32" x 1-3/4"	1.48		( 1.48)
6 d	# 12-1/2 x 17/64" x 2"	1.16		( 1.16)
7 d	# 12-1/2 x 17/64" x 2-1/4"	1.11		( 1.11)
8 d	# 11-1/2 x 19/64" x 2-1/2"	1.00		( 1.00)
9 d	# 11-1/2 x 19/64" x 2-3/4"	1.00		( 1.00)
10 d	# 10-1/2 x 5/16" x 3"	0.79		( 0.79)
12 d	# 10-1/2 x 5/16" x 3-1/4"	0.79		( 0.79)
16 d	# 10 x 11/32" x 3-1/2"	0.74		( 0.74)
20 d	# 9 x 3/8" x 4"	0.63		( 0.63)
30 d	# 9 x 3/8" x 4-1/2	1.16		( 1.16)
40 d	# 8 x 13/32" x 5"	1.16		( 1.16)

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<u>TYPE/SIZE</u>			<u>TOTAL EXTRA</u>	<u>SIZE EXTRA</u>	<u>E/G EXTRA</u>
(3) <u>Bright Finishing Nails Cupped Head</u>					
2 d	ASWG	# 16-1/2 x 13-1/2 x 1"	\$3.75	(\$3.75)	
3 d		# 15-1/2 x 12-1/2 x 1-1/4"	3.06	( 3.06)	
4 d		# 15 x 12 x 1-1/2"	2.43	( 2.43)	
5 d		# 15 x 12 x 1-3/4"	2.22	( 2.22)	
6 d		# 13 x 10 x 2"	1.53	( 1.53)	
8 d		# 12-1/2 x 9-1/2 x 2-1/2"	1.48	( 1.48)	
9 d		# 12-1/2 x 9-1/2 x 2-3/4"	1.42	( 1.42)	
10 d		# 11-1/2 x 8-1/2 x 3"	1.42	( 1.42)	
12 d		# 11-1/2 x 8-1/2 x 3-1/4"	1.32	( 1.32)	
16 d		# 11 x 8 x 3-1/2"	1.27	( 1.27)	
20 d		# 10 x 7 x 4"	1.16	( 1.16)	
(4) <u>Bright Casing Nails</u>					
2 d	ASWG	# 15-1/2 x 12-1/2 x 1"	\$3.27	(\$3.27)	
3 d		# 14-1/2 x 11-1/2 x 1-1/4"	2.64	( 2.64)	
4 d		# 14 x 11 x 1-1/2"	2.00	( 2.00)	
5 d		# 14 x 11 x 1-3/4"	1.79	( 1.79)	
6 d		# 12-1/2 x 9-1/2 x 2"	1.32	( 1.32)	
7 d		# 12-1/2 x 9-1/2 x 2-1/4"	1.27	( 1.27)	
8 d		# 11-1/2 x 8-1/2 x 2-1/2"	1.16	( 1.16)	
9 d		# 11-1/2 x 8-1/2 x 2-3/4"	1.16	( 1.16)	
10 d		# 10-1/2 x 7-1/2 x 3"	1.11	( 1.11)	
12 d		# 10-1/2 x 7-1/2 x 3-1/4"	1.11	( 1.11)	
16 d		# 10 x 7 x 3-1/3"	1.00	( 1.00)	
(5) <u>E/G (Electric Galvanized) Common Nails</u>					
2 d	ASWG	# 15 x 11/64" x 1"	\$5.12	(\$2.37)	(\$2.74)
3 d		# 14 x 13/64" x 1-1/4"	4.69	( 1.95)	( 2.74)
4 d		# 12-1/2 x 1/4" x 1-1/2"	4.32	( 1.58)	( 2.74)
5 d		# 12-1/2 x 1/4" x 1-3/4"	4.01	( 1.27)	( 2.74)
6 d		# 11-1/2 x 17/64" x 2"	3.17	( 0.84)	( 2.32)
7 d		# 11-1/2 x 17/64" x 2-1/4"	3.11	( 0.79)	( 2.32)
8 d		# 10-1/4 x 9/32" x 2-1/2"	2.95	( 0.63)	( 2.32)
9 d		# 10-1/4 x 9/32" x 2-3/4"	2.95	( 0.63)	( 2.32)
10 d		# 9 x 5/16" x 3"	2.85	( 0.53)	( 2.32)
12 d		# 9 x 5/16" x 3-1/4"	2.85	( 0.53)	( 2.32)
16 d		# 8 x 11/32" x 3-1/2"	2.74	( 0.42)	( 2.32)
20 d		# 6 x 13/32" x 4"	2.32	( - )	( 2.32)
30 d		# 5 x 7/16" x 4-1/2"	3.11	( 0.79)	( 2.32)
40 d		# 4 x 15/32" x 5"	3.11	( 0.79)	( 2.32)
50 d		# 3 x 1/2" x 5-1/2"	3.11	( 0.79)	( 2.32)
60 d		# 2 x 17/32" x 6"	3.32	( 1.00)	( 2.32)

TYPE/SIZE			<u>TOTAL EXTRA</u>	<u>SIZE EXTRA</u>	<u>E/G EXTRA</u>
(6) <u>E/G Smooth Box Nails</u>					
2 d	ASWG	# 15-1/2 x 3/16" x 1"	\$5.70	(\$2.95)	(\$2.74)
3 d		# 14-1/2 x 7/32" x 1-1/4"	5.06	( 2.32)	( 2.74)
4 d		# 14 x 7/32" x 1-1/2"	4.64	( 1.90)	( 2.74)
5 d		# 14 x 7/32" x 1-3/4"	4.22	( 1.48)	( 2.74)
6 d		# 12-1/2 x 17/64" x 2"	3.48	( 1.16)	( 2.32)
7 d		# 12-1/2 x 17/64" x 2-1/4"	3.43	( 1.10)	( 2.32)
8 d		# 11-1/2 x 19/64" x 2-1/2"	3.32	( 1.00)	( 2.32)
9 d		# 11-1/2 x 19/64" x 2-3/4"	3.32	( 1.00)	( 2.32)
10 d		# 10-1/2 x 5/16" x 3"	3.11	( 0.79)	( 2.32)
12 d		# 10-1/2 x 5/16" x 3-1/4"	3.11	( 0.79)	( 2.32)
16 d		# 10 x 11/32" x 3-1/2"	3.06	( 0.74)	( 2.32)
20 d		# 9 x 3/8" x 4"	2.95	( 0.63)	( 2.32)
30 d		# 9 x 3/8" x 4-1/2"	3.48	( 1.16)	( 2.32)
40 d		# 8 x 13/32" x 5"	3.48	( 1.16)	( 2.32)
(7) <u>E/G Finishing Nails Cupped Head</u>					
2 d	ASWG	# 16-1/2 x 13-1/2 x 1"	\$6.49	(\$3.74)	(\$2.74)
3 d		# 15-1/2 x 12-1/2 x 1-1/4"	5.80	( 3.06)	( 2.74)
4 d		# 15 x 12 x 1-1/2"	5.17	( 2.43)	( 2.74)
5 d		# 15 x 12 x 1-3/4"	4.96	( 2.23)	( 2.74)
6 d		# 13 x 10 x 2"	3.85	( 1.53)	( 2.32)
8 d		# 12-1/2 x 9-1/2 x 2-1/2"	3.80	( 1.48)	( 2.32)
9 d		# 12-1/2 x 9-1/2 x 2-3/4"	3.75	( 1.42)	( 2.32)
10 d		# 11-1/2 x 8-1/2 x 3"	3.75	( 1.42)	( 2.32)
12 d		# 11-1/2 x 8-1/2 x 3-1/4"	3.64	( 1.32)	( 2.32)
16 d		# 11 x 8 x 3-1/2"	3.59	( 1.27)	( 2.32)
20 d		# 10 x 7 x 4"	3.48	( 1.16)	( 2.32)
(8) <u>E/G Casing Nails</u>					
2 d	ASWG	# 15-1/2 x 12-1/2 x 1"	\$6.01	(\$3.27)	(\$2.74)
3 d		# 14-1/2 x 11-1/2 x 1-1/4"	5.38	( 2.64)	( 2.74)
4 d		# 14 x 11 x 1-1/2"	4.75	( 2.00)	( 2.74)
5 d		# 14 x 11 x 1-3/4"	4.54	( 1.79)	( 2.74)
6 d		# 12-1/2 x 9-1/2 x 2"	3.64	( 1.32)	( 2.32)
7 d		# 12-1/2 x 9-1/2 x 2-1/4"	3.58	( 1.27)	( 2.32)
8 d		# 11-1/2 x 8-1/2 x 2-1/2"	3.48	( 1.16)	( 2.32)
9 d		# 11-1/2 x 8-1/2 x 2-3/4"	3.48	( 1.16)	( 2.32)
10 d		# 10-1/2 x 7-1/2 x 3"	3.43	( 1.11)	( 2.32)
12 d		# 10-1/2 x 7-1/2 x 3-1/4"	3.43	( 1.11)	( 2.32)
16 d		# 10 x 7x3-1/3"	3.32	( 1.00)	( 2.32)

<u>TYPE/SIZE</u>			<u>TOTAL EXTRA</u>	<u>SIZE EXTRA</u>	
(9) <u>H/D (Hot Dip Galvanized) Common Nails</u>					<u>H/D Extra</u>
2 d	ASWG	# 15 x 11/64" x 1"	\$8.91	(\$2.37)	(\$6.54)
3 d		# 14 x 13/64" x 1-1/4"	8.49	( 1.95)	( 6.54)
4 d		# 12-1/2 x 1/4" x 1-1/2"	8.12	( 1.58)	( 6.54)
5 d		# 12-1/2 x 1/4" x 1-3/4"	7.81	( 1.27)	( 6.54)
6 d		# 11-1/2 x 17/64" x 2"	6.96	( 0.84)	( 6.12)
7 d		# 11-1/2 x 17/64" x 2-1/4"	6.91	( 0.79)	( 6.12)
8 d		# 10-1/4 x 9/32" x 2-1/2"	6.75	( 0.63)	( 6.12)
9 d		# 10-1/4 x 9/32" x 2-3/4"	6.75	( 0.63)	( 6.12)
10 d		# 9 x 5/16" x 3"	6.65	( 0.53)	( 6.12)
12 d		# 9 x 5/16" x 3-1/4"	6.65	( 0.53)	( 6.12)
16 d		# 8 x 11/32" x 3-1/2"	6.54	( 0.42)	( 6.12)
20 d		# 6 x 13/32" x 4"	6.12	( Base)	( 6.12)
30 d		# 5 x 7/16" x 4-1/2"	6.91	( 0.79)	( 6.12)
40 d		# 4 x 15/32" x 5"	6.91	( 0.79)	( 6.12)
50 d		# 3 x 1/2" x 5-1/2"	6.91	( 0.79)	( 6.12)
60 d		# 2 x 17/32" x 6"	7.12	( 1.00)	( 6.12)
(10) <u>H/D Smooth Box Nails</u>					<u>H/D Extra</u>
d	ASWG	# 15-1/2 x 3/16" x 1"	\$9.50	(\$2.95)	(\$6.54)
3 d		# 14-1/2 x 7/32" x 1-1/4"	8.86	( 2.32)	( 6.54)
4 d		# 14 x 7/32" x 1-1/2"	8.44	( 1.90)	( 6.54)
5 d		# 14 x 7/32" x 1-3/4"	8.02	( 1.48)	( 6.54)
6 d		# 12-1/2 x 17/64" x 2"	7.28	( 1.16)	( 6.12)
7 d		# 12-1/2 x 17/64" x 2-1/4"	7.23	( 1.11)	( 6.12)
8 d		# 11-1/2 x 19/64" x 2-1/2"	7.12	( 1.00)	( 6.12)
9 d		# 11-1/2 x 19/64" x 2-3/4"	7.12	( 1.00)	( 6.12)
10 d		# 10-1/2 x 5/16" x 3"	6.91	( 0.79)	( 6.12)
12 d		# 10-1/2 x 5/16" x 3-1/4"	6.91	( 0.79)	( 6.12)
16 d		# 10 x 11/32" x 3-1/2"	6.86	( 0.74)	( 6.12)
20 d		# 9 x 3/8 x 4"	6.75	( 0.63)	( 6.12)
30 d		# 9 x 3/8" x 4-1/2"	7.28	( 1.16)	( 6.12)
40 d		# 8 x 13/32" x 5"	7.28	( 1.16)	( 6.12)
(11) <u>H/D Finishing Nails Cupped Head</u>					<u>H/D Extra</u>
2 d	ASWG	# 16-1/2 x 13-1/2 x 1"	\$10.29	(\$3.75)	(\$6.54)
3 d		# 15-1/2 x 12-1/2 x 1-1/4"	9.60	( 3.06)	( 6.54)
4 d		# 15 x 12 x 1-1/2"	8.97	( 2.43)	( 6.54)
5 d		# 15 x 12 x 1-3/4"	8.76	( 2.23)	( 6.54)
6 d		# 13 x 10 x 2"	7.65	( 1.53)	( 6.12)
8 d		# 12-1/2 x 9-1/2 x 2-1/2"	7.96	( 1.48)	( 6.12)
9 d		# 12-1/2 x 9-1/2 x 2-3/4"	7.54	( 1.42)	( 6.12)
11 d		# 11-1/2 x 8-1/2 x 3"	7.54	( 1.42)	( 6.12)
14 d		# 11-1/2 x 8-1/2 x 3-1/4"	7.44	( 1.32)	( 6.12)
16 d		# 11 x 8 x 3-1/2"	7.39	( 1.27)	( 6.12)
20 d		# 10 x 7 x 4"	7.28	( 1.16)	( 6.12)

	<u>TYPE/SIZE</u>	<u>TOTAL EXTRA</u>	<u>SIZE EXTRA</u>	
(12)	<u>H/D Casing Nails</u>			<u>H/D Extra</u>
2 d	ASWG # 15-1/2 x 12-1/2 x 1"	\$9.81	(\$3.27)	(\$6.54)
3 d	# 14-1/2 x 11-1/2 x 1-1/4"	9.18	( 2.64)	( 6.54)
4 d	# 14 x 11 x 1-1/2"	8.55	( 2.00)	( 6.54)
5 d	# 14 x 11 x 1-3/4"	8.33	( 1.79)	( 6.54)
6 d	# 12-1/2 x 9-1/2 x 2"	7.44	( 1.32)	( 6.12)
7 d	# 12-1/2 x 9-1/2 x 2-1/4"	7.39	( 1.27)	( 6.12)
8 d	# 11-1/2 x 8-1/2 x 2-1/2"	7.28	( 1.16)	( 6.12)
9 d	# 11-1/2 x 8-1/2 x 2-3/4"	7.28	( 1.16)	( 6.12)
10 d	# 10-1/2 x 7-1/2 x 3"	7.23	( 1.11)	( 6.12)
12 d	# 10-1/2 x 7-1/2 x 3-1/4"	7.23	( 1.11)	( 6.12)
16 d	# 10 x 7 x 3-1/3"	7.12	( 1.00)	( 6.12)
(13)	<u>Cement Coated Box Nails</u>			
2 d	ASWG # 16-1/2 x 11/64" x 1"	\$4.06	(\$4.06)	
3 d	# 16 x 3/16" x 1-1/8"	3.43	( 3.43)	
4 d	# 15 x 13/64" x 1-3/8"	3.06	( 3.06)	
4-1/2 d	# 15 x 7/32" x 1-1/2"	3.06	( 3.06)	
5 d	# 15 x 7/32" x 1-5/8"	2.53	( 2.53)	
6 d	# 13-1/2 x 1/4" x 1-7/8"	2.16	( 2.16)	
7 d	# 13-1/2 x 1/4" x 2-1/8"	2.11	( 2.11)	
8 d	# 12-1/2 x 17/64" x 2-3/8"	1.90	( 1.90)	
9 d	# 12-1/2 x 17/64" x 2-5/8"	1.90	( 1.90)	
10 d	# 11-1/2 x 19/64" x 2-7/8"	1.74	( 1.74)	
(14)	<u>Cement Coated Corkers Nails</u>			
2 d	ASWG # 16 x 5/32" x 1"	\$3.80	(\$3.80)	
3 d	# 15 x 3/16" x 1-1/4"	3.17	( 3.17)	
4 d	# 13-1/2 x 7/32" x 1-1/2"	2.43	( 2.43)	
5 d	# 13-1/2 x 7/32" x 1-5/8"	2.16	( 2.16)	
6 d	# 12-1/2 x 1/4" x 1-7/8"	1.90	( 1.90)	
7 d	# 12-1/2 x 1/4" x 2-1/8"	1.79	( 1.79)	
8 d	# 11 x 9/32" x 2-3/8"	1.64	( 1.64)	
9 d	# 11 x 9/32" x 2-5/8"	1.64	( 1.64)	
10 d	# 10 x 5/16" x 2-7/8"	1.53	( 1.53)	
12 d	# 10 x 5/16" x 3-1/8"	1.48	( 1.48)	
16 d	# 9 x 11/32" x 3-3/8"	1.42	( 1.42)	
20 d	# 7 x 3/8" x 3-7/8"	1.27	( 1.27)	
30 d	# 6 x 13/32" x 4-3/8"	1.64	( 1.64)	
40 d	# 5 x 7/16" x 4-7/8"	1.64	( 1.64)	
50 d	# 4 x 15/32" x 5-3/8"	1.64	( 1.64)	
60 d	# 3 x 1/2" x 5-7/8"	1.90	( 1.90)	

<u>TYPE/SIZE</u>			<u>TOTAL EXTRA</u>	<u>SIZE EXTRA</u>	<u>E/G EXTRA</u>
<u>(15) Cement Coated Coolers Nails</u>					
2 d	ASWG	# 16 x 11/64" x 1"	\$3.80		(\$3.80)
3 d		# 15-1/2 x 3/16" x 1-1/8"	3.17		( 3.17)
4 d		# 14 x 7/32" x 1-3/8	2.43		( 2.43)
5 d		# 13-1/2 x 15/64" x 1-5/8"	2.16		( 2.16)
6 d		# 13 x 1/4" x 1-7/8"	1.90		( 1.90)
7 d		# 12-1/2 x 17/64" x 2-1/8"	1.79		( 1.79)
8 d		# 11-1/2 x 9/32" x 2-3/8"	1.64		( 1.64)
9 d		# 11-1/2 x 9/32" x 2-5/8"	1.64		( 1.64)
10 d		# 11 x 19/64" x 2-7/8"	1.53		( 1.53)
<u>(16) Cement Coated or Vinyl Coated Sinkers Nails</u>					
3 d	ASWG	# 15-1/2 x 11/64" x 1-1/8"	\$3.17		(\$3.17)
4 d		# 14 x 13/64" x 1-3/8"	2.43		( 2.43)
5 d		# 13-1/2 x 7/32" x 1-5/8"	2.16		( 2.16)
6 d		# 13 x 15/64" x 1-7/8"	1.90		( 1.90)
7 d		# 12-1/2 x 1/4" x 2-1/8"	1.79		( 1.79)
8 d		# 11-1/2 x 17/64" x 2-3/8"	1.64		( 1.64)
10 d		# 11 x 9/32" x 2-7/8"	1.53		( 1.53)
12 d		# 10 x 5/16" x 3-1/8"	1.48		( 1.48)
16 d		# 9 x 11/32" x 3-1/4"	1.42		( 1.42)
20 d		# 7 x 3/8" x 3-3/4"	1.27		( 1.27)
30 d		# 6 x 13/32" x 4-1/4"	1.64		( 1.64)
40 d		# 5 x 7/16" x 4-3/4"	1.64		( 1.64)
60 d		# 3 x 1/2" x 5-3/4"	1.90		( 1.90)
<u>(17) Cement Coated Apple Box Nails</u>					
5 d	ASWG	# 14 x 15/64" x 1-5/8"	\$2.53		(\$2.40)
5-1/2 d		# 14 x 15/64" x 1-3/8"	2.53		( 2.40)
<u>(18) Cement Coated Fruit Box Nails</u>					
4 d	ASWG	# 15 x 7/32" x 1-3/8"	\$3.06		(\$3.06)
<u>(19) Cement Coated Orange Box Nails</u>					
4 d	ASWG	# 15 x 7/32" x 1-1/4"	\$3.06		(\$3.06)
<u>(20) Cement Coated Egg Case Nails</u>					
3 d	ASWG	# 15 x 7/32" x 1-1/8"	\$3.43		(\$3.43)

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TYPE/SIZE	TOTAL EXTRA	SIZE EXTRA	E/G EXTRA
(21) <u>Bright Barbed Roofing Nails</u>			
ASWG # 11 x 7/16" x 1/2"	\$7.33	(\$7.33)	
x 5/8"	5.33	( 5.33)	
x 3/4"	4.33	( 4.33)	
x 7/8"	3.69	( 3.69)	
x 1"	3.27	( 3.27)	
x 1-1/4"	2.80	( 2.80)	
x 1-1/2"	2.53	( 2.53)	
x 1-3/4"	2.32	( 2.32)	
x 2"	1.90	( 1.90)	
12 x 3/8" x 1/2"	7.65	( 7.65)	
x 5/8"	5.96	( 5.96)	
x 3/4"	4.96	( 4.96)	
x 7/8"	4.33	( 4.33)	
x 1"	3.80	( 3.80)	
x 1-1/4"	3.43	( 3.43)	
x 1-1/2"	3.17	( 3.17)	
x 1-3/4"	2.95	( 2.95)	
x 2"	2.53	( 2.53)	
(22) <u>E/G (Electric Galvanized) Barbed Roofing Nails</u>			
ASWG # 11 x 7/16" x 1/2"	\$8.23	(\$8.23)	
x 5/8"	6.54	( 6.54)	
x 3/4"	5.49	( 5.49)	
x 7/8"	4.85	( 4.85)	
x 1"	4.33	( 4.33)	
x 1-1/4"	4.00	( 4.00)	
x 1-1/2"	3.69	( 3.69)	
x 1-3/4"	3.53	( 3.53)	
x 2"	3.06	( 3.06)	
ASWG # 12 x 3/8" x 1/2"	8.86	( 8.86)	
x 5/8"	7.17	( 7.17)	
x 3/4"	6.12	( 6.12)	
x 7/8"	5.49	( 5.49)	
x 1"	4.96	( 4.96)	
x 1-1/4"	4.64	( 4.64)	
x 1-1/2"	4.33	( 4.33)	
x 1-3/4"	4.17	( 4.17)	
x 2"	3.69	( 3.69)	

<u>TYPE/SIZE</u>		<u>TOTAL EXTRA</u>		
			<u>Size Extra</u>	<u>Head Extra</u>
(23) <u>Bright Duplex Head Nails</u>				
6d	ASWG #11-1/2 x 17/64" x 1-3/4"	\$3.17	(\$2.48)	(\$0.68)
8d	#10-1/4 x 9/32" x 2-1/4"	3.01	( 2.32)	( 0.68)
10d	#9 x 5/16" x 2-3/4"	3.01	( 2.32)	( 0.68)
16d	#8 x 11/32" x 3"	3.01	( 2.32)	( 0.68)
(24) <u>Bright Smooth Joist Hanger Nails</u>				
ASWG #11	x 9/32" x 1-1/4"	\$2.64	(\$2.64)	
	#10-1/4 x 9/32" x 1-1/2"	2.43	( 2.43)	
	# 9 x 5/16" x 1-1/2"	2.43	( 2.43)	
(25) <u>Tempered Hardened Steel Concrete Steel Nails</u>				
ASWG # 9	x 3/16" x 3/4"	\$6.75	(\$2.74)	(\$4.01)
	x 1"	6.65	( 2.64)	( 4.01)
	x 1-1/2"	6.44	( 2.43)	( 4.01)
	x 2"	6.33	( 2.32)	( 4.01)
	# 12 x 3/16" x 3/4"	7.17	( 3.17)	( 4.01)
(26) <u>Bright Smooth Shank Drywall Nails</u>				
SWG # 12-1/2	x 19/64" x 1-1/8"	\$2.74	(\$2.74)	
	x 1-3/8"	2.74	( 2.74)	
	x 1-1/2"	2.58	( 2.58)	
(27) <u>Bright Barbed Shank Plywood Nails</u>				
ASWG # 9	x 5/16" x 2"	\$2.64	(\$2.32)	(\$0.32)
	x 2-1/8"	2.64	( 2.32)	( 0.32)
	x 2-1/2"	2.53	( 2.22)	( 0.32)
	# 10-1/4 x 9/32" x 1-1/4"	2.85	( 2.53)	( 0.32)
(28) <u>Bright Barbed Shank Joist Hanger Nails</u>				
ASWG # 11	x 9/32" x 1-1/4"	\$2.95	(\$2.64)	(\$0.32)
	# 10-1/4 x 9/32" x 1-1/2"	2.74	( 2.43)	( 0.32)
	# 9 x 5/16" x 1-1/2"	2.74	( 2.43)	( 0.32)
(29) <u>Bright Barbed Shank Truss Nails</u>				
ASWG # 11	x 9/32" x 1-1/2"	\$2.80	(\$2.48)	(\$0.32)

Sl Shank Specialty Nail Extras (\$Extra/50 lbs.)

<u>TYPE/SIZE</u>	<u>TOTAL EXTRA</u>			
(30) <u>C.C. (Cement Coated) Plaster Board Nails</u>	<u>Size Extra</u>	<u>C.C. Extra</u>	<u>Head Extra</u>	
ASWG # 13 x 19/64" x 1"	\$3.48 (\$2.85)	(\$0.63)		
x 1-3/8"	3.48 ( 2.85)	( 0.63)		
x 1-1/2"	3.32 ( 2.69)	( 0.63)		
# 13 x 11/32" x 1-1/2"	4.22 ( 2.69)	( 0.63)	(\$0.90)	
x 1-3/4"	4.22 ( 2.69)	( 0.63)	( 0.90)	
# 13 x 3/8" x 1-1/2"	4.22 ( 2.69)	( 0.63)	( 0.90)	
x 1-3/4"	4.22 ( 2.69)	( 0.63)	( 0.90)	
(31) <u>C.C. Smooth Shank Drywall Nails</u>	<u>Size Extra</u>	<u>C.C. Extra</u>	<u>Head Extra</u>	
ASWG # 12-1/2 x 19/64" x 1-3/8"	\$3.38 (\$2.74)	(\$0.63)		
x 1-1/2"	3.22 ( 2.58)	( 0.63)		
# 12-1/2 x 1/4" x 1-3/8"	3.38 ( 2.74)	( 0.63)		
x 1-1/2"	3.22 ( 2.58)	( 0.63)		
# 12-1/2 x 11/32" x 1-1/2"	4.11 ( 2.58)	( 0.63)	(\$0.90)	
(32) <u>C.C. Barbed Shank Truss Nails</u>	<u>Size Extra</u>	<u>C.C. Extra</u>	<u>Barbed Extra</u>	
ASWG # 11 x 9/32" x 1-1/2"	\$3.43 (\$2.48)	(\$0.63)	(\$0.32)	
(33) <u>C.C. (or Vinyl Coated) Barbed Drywall Nails</u>	<u>Size Extra</u>	<u>C.C. Extra</u>	<u>Barbed Extra</u>	
ASWG # 14 x 1/4 x 1-1/4"	\$4.22 (\$3.27)	(\$0.63)	(\$0.32)	
13 x 19/64" x 1-1/8"	3.80 ( 2.85)	( 0.63)	( 0.32)	
12-1/2 x 19/64" x 1-1/2"	3.53 ( 2.58)	( 0.63)	( 0.32)	
(34) <u>Phosphate Coated Drywall Nails (Flat Head)</u>	<u>Size Extra</u>	<u>Phosphate Extra</u>		
ASWG # 14 x 1/4" x 1-1/4"	\$5.06 (\$3.27)	(\$1.79)		
13 x 19/64" x 1-5/8"	4.48 ( 2.69)	( 1.79)		
(35) <u>Phosphate Coated Drywall Nails (Full Cup Head)</u>	<u>Size Extra</u>	<u>Phosphate Extra</u>	<u>Full Cup Extra</u>	
ASWG # 14 x 1/4" x 1-1/4"	\$5.75 (\$3.27)	(\$1.79)	(\$0.69)	
# 13 x 9/32 x 1-3/8"	5.33 ( 2.85)	( 1.79)	( 0.69)	
# 13-1/2 x 19/64" x 1-5/8"	5.17 ( 2.69)	( 1.79)	( 0.69)	
(36) <u>H/D Galv. Smooth Siding Nails</u>	<u>Size Extra</u>	<u>H/D Extra</u>		
7d ASWG # 11-1/2 x 7/32 x 2-1/4"	\$8.44 (\$2.32)	(\$5.59)		
3d                                  x 2-1/2"	8.23 ( 2.11)	( 6.12)		

<u>TYPE/SIZE</u>		<u>TOTAL EXTRA</u>		
(37)	<u>Sterilized Blued Plaster Board Nails</u>		<u>Size Extra</u>	<u>Blued Extra</u> <u>Head Size Extra</u>
	ASWG # 13 x 19/64" x 1"	\$4.85	(\$2.85)	(\$2.00)
	x 1-1/8"	4.85	( 2.85)	( 2.00)
	x 1-1/2"	4.69	( 2.69)	( 2.00)
	ASWG # 13 x 3/8"    x 1"	5.75	( 2.85)	( 2.00)    (\$0.90)
(38)	<u>Sterilized Blued Lath Nails</u>		<u>Size Extra</u>	<u>Blued Extra</u>
	2d ASWG # 16-1/2 x 9/64" x 1"	\$5.59	(\$3.59)	(\$2.00)
	3d        # 15 x 11/64" x 1-1/8"	5.59	( 3.59)	( 2.00)
(39)	<u>Sterilized Blued Shingle Nails</u>		<u>Size Extra</u>	<u>Blued Extra</u>
	ASWG # 15 x 7/32" x 1-1/4"	\$5.59	(\$3.59)	(\$2.00)
	# 16 x 5/32" x 1-1/8"	5.59	( 3.59)	( 2.00)
(40)	<u>E/G Smooth Siding Nails</u>		<u>Size Extra</u>	<u>Blued Extra</u>
	5d ASWG # 14 x 1-3/4"	\$5.80	(\$3.06)	(\$2.74)
	6d        # 12-1/2 x 2"	4.75	( 2.43)	( 2.32)
	7d        # 12-1/2 x 2-1/4"	4.75	( 2.43)	( 2.32)
	8d        # 11-1/2 x 2-1/2"	4.54	( 2.21)	( 2.32)
(41)	<u>E/G Shingle Nails</u>		<u>Size Extra</u>	<u>E/G Extra</u>
	3d ASWG # 14 x 1/4" x 1-1/4"	\$6.01	(\$3.27)	(\$2.74)
	4d        # 13 x 1/4" x 1-1/2"	5.43	( 2.69)	( 2.74)
(42)	<u>E/G Plaster Board Nails</u>		<u>Size Extra</u>	<u>E/G Extra</u>
	ASWG # 13 x 19/64" x 1"	\$5.59	(\$2.85)	(\$2.74)
	x 1-1/4"	5.59	( 2.85)	( 2.74)
	x 1-1/2"	5.43	( 2.69)	( 2.74)
(43)	<u>E/G Smooth Joist Hanger Nails</u>		<u>Size Extra</u>	<u>E/G Extra</u>
	ASWG # 9 x 5/16" x 1-1/4"	\$5.28	(\$2.53)	(\$2.74)
	x 1-1/2"	4.75	( 2.43)	( 2.32)
	10-1/4 x 9/32" x 1-1/4"	5.28	( 2.53)	( 2.74)

<u>TYPE/SIZE</u>		<u>TOTAL EXTRA</u>			
<u>(44) E/G Barbed Shank Joist Hanger Nails</u>		<u>Size Extra</u>	<u>E/G Extra</u>	<u>Barbed Extra</u>	
ASWG # 8 x 11/32" x 2"	\$5.06	(\$2.43)	(\$2.32)	(\$0.32)	
# 9 x 5/16" x 1-1/2"	5.06	( 2.43)	( 2.32)	( 0.32)	
# 10-1/4 x 9/32" x 1-1/2"	5.06	( 2.43)	( 2.32)	( 0.32)	
# 11 x 19/64" x 1-1/4"	5.69	( 2.64)	( 2.74)	( 0.32)	
<u>(45) E/G Barbed Shank Plywood Nails</u>		<u>Size Extra</u>	<u>E/G Extra</u>	<u>Barbed Extra</u>	
ASWG # 10-1/4 x 7/16" x 1-7/8"	\$5.06	(\$2.43)	(\$2.32)	(\$0.32)	
<u>(46) E/G Barbed Shank Truss Nails</u>		<u>Size Extra</u>	<u>E/G Extra</u>	<u>Barbed Extra</u>	
ASWG # 11 x 9/32" x 1-1/2"	\$5.12	(\$2.48)	(\$2.32)	(\$0.32)	
<u>(47) E/G Barbed Shank Siding Nails</u>		<u>Size Extra</u>	<u>E/G Extra</u>	<u>Barbed Extra</u>	
ASWG # 14 x 3/16" x 1-3/4"	\$6.12	(\$3.06)	(\$2.74)	(\$0.32)	
# 13-1/2 x 1/32" x 1-1/2"	5.75	( 2.69)	( 2.74)	( 0.32)	
<u>(48) E/G Tempered Hardened Steel Concrete Stub Nails</u>		<u>Size Extra</u>	<u>E/G Extra</u>	<u>T. H. Extra</u>	
ASWG # 9 x 5/16 x 1/2"	\$10.12	(\$3.38)	(\$2.74)	(\$4.01)	
x 3/4"	9.50	( 2.74)	( 2.74)	( 4.01)	
x 7/8"	9.34	( 2.64)	( 2.74)	( 4.01)	
x 1"	9.28	( 2.53)	( 2.74)	( 4.01)	
x 1-1/2"	9.18	( 2.43)	( 2.74)	( 4.01)	
x 2"	8.65	( 2.32)	( 2.32)	( 4.01)	
<u>(49) E/G Barbed Shank Painted Siding Nails</u>		<u>Size Extra</u>	<u>E/G Extra</u>	<u>Paint Extra</u>	<u>Barbed Extra</u>
ASWG # 12-1/2 x 3/16" x 2"	\$9.60	(\$2.43)	(\$2.32)	(\$4.54)	(\$0.32)
x 2-1/2"	9.34	( 2.22)	( 2.32)	( 4.54)	( 0.32)
# 13 x 3/16" x 1-1/4"	10.44	( 2.85)	( 2.74)	( 4.54)	( 0.32)
x 1-1/2"	10.29	( 2.69)	( 2.74)	( 4.54)	( 0.32)
x 2"	9.71	( 2.53)	( 2.32)	( 4.54)	( 0.32)

Rev. July, 1978

Special Order Size Extras For Smooth Shank Specialty Nails (\$ Extra/50 lbs)

Shank-gauge

length	4-6-1/2	7-8-1/2	9-10-1/2	11-11-1/2	12-12-1/2	13-13-1/2	14-14-1/2	15-16-1/2	17-18
1/2"	-	-	3.38	-	-	-	-	-	-
5/8	-	-	2.95	-	-	-	3.80	4.11	4.59
3/4	-	-	2.74	-	3.17	3.22	3.59	3.96	4.43
7/8	-	-	2.64	-	2.95	3.06	3.43	3.80	4.22
1-1-3/8	-	-	2.53	2.64	2.74	2.85	3.27	3.59	-
1-1/2-1-7/8	-	-	2.43	2.48	2.58	2.69	3.06	3.43	-
2-2-3/8	-	2.43	2.32	2.32	2.43	2.53	2.90	-	-
2-1/2-3	-	2.32	2.23	2.11	2.11	2.32	-	-	-
3-1/8-4	2.23	2.23	2.00	-	-	-	-	-	-
4-1/8-5	2.11	2.11	1.79	-	-	-	-	-	-
5-1/8 - up	2.00	2.00	-	-	-	-	-	-	-

Size extras determined from this table apply only to item 2-49.

<u>TYPE/SIZE</u>		<u>TOTAL EXTRA</u>
(50) <u>Bright Annular Threaded Drywall Nails</u>		<u>Size Extra</u>
ASWG # 12-1/2 x 19/64" x 1-3/8"	\$5.06	(\$5.06)
x 1-1/2"	4.85	( 4.85)
x 1-5/8"	4.85	( 4.85)
# 12-1/2 x 1/4" x 1"	5.06	( 5.06)
x 1-1/4"	5.06	( 5.06)
(51) <u>Bright Ring Shank Underlay Nails</u>		<u>Size Extra</u>
ASWG # 13 x 3/16" x 1"	\$6.54	(\$6.54)
x 1-1/4"	6.54	( 6.54)
x 1-3/4"	6.07	( 6.07)
# 12-1/2 x 3/16" x 1-1/4"	5.06	( 5.06)
x 1-3/8"	5.06	( 5.06)
# 12-1/2 x 7/32" x 1"	5.06	( 5.06)
x 1-1/4"	5.06	( 5.06)
x 1-1/2"	4.85	( 4.85)
# 12-1/2 x 1/4" x 1-1/4"	5.06	( 5.06)
x 1-3/8"	5.06	( 5.06)
x 2"	4.64	( 4.64)
# 14 x 3/16" x 3/4"	10.81	(10.81)
x 1"	9.44	( 9.44)
(52) <u>E/G Annular Threaded Drywall Nails</u>		<u>Size Extra E/G</u>
ASWG # 12-1/2 x 19/64" x 1-1/4"	\$7.81	(\$5.06) (\$2.74)
x 1-3/8"	7.81	( 5.06) ( 2.74)
x 1-1/2"	7.60	( 4.85) ( 2.74)
x 1-5/8"	7.60	( 4.85) ( 2.74)
# 13 x 19/64" x 1"	9.28	( 6.54) ( 2.74)
x 1-5/8"	8.81	( 6.07) ( 2.74)
(53) <u>E/G Annular Threaded Shake Nails</u>		<u>Size Extra E/G</u>
ASWG # 13 x 3/16" x 1-1/2"	\$8.81	(\$6.07) (\$2.74)
x 1-3/4"	8.81	( 6.07) ( 2.74)
x 2"	7.70	( 5.38) ( 2.32)

-33, Screwed and Fluted Shank Nail Extras (\$ Extra/50 lbs.)

( 4.01)

<u>TYPE/SIZE</u>		<u>TOTAL EXTRA</u>
(59) <u>Bright Drive Screw Nails</u> (Regular Steel #1023)		<u>Size Extra</u>
ASWG # 12 x 1/4" x 1-1/2"	\$4.85	(\$4.85)
x 2"	4.64	( 4.64)
# 11-1/2 x 9/32" x 2-1/4"	4.64	( 4.64)
# 11 x 9/32" x 2-1/4"	4.64	( 4.64)
# 11 x 9/32" x 2-1/2"	4.48	( 4.48)
# 10 x 5/16" x 3"	4.48	( 4.48)
(60) <u>Bright Drive Screw Nails</u> (Stiff Stock #1030)		<u>Size Extra</u> <u>Grade Extra</u>
ASWG # 11-1/2 x 9/32" x 2"	\$5.43	(\$4.64)      (\$0.79)
x 2-1/4"	5.43	( 4.64)      ( 0.79)
# 11 x 9/32" x 2-1/2"	5.28	( 4.48)      ( 0.79)
(61) <u>Bright Drive Screw Nails</u> (Stiff Stock #1040)		<u>Size Extra</u> <u>Grade Extra</u>
ASWG # 11-1/2 x 9/32" x 2"	\$5.64	(\$4.64)      (\$1.00)
x 2-1/4"	5.64	( 4.64)      ( 1.00)
# 11 x 9/32" x 2-1/2"	5.49	( 4.48)      ( 1.00)
(62) <u>C.C. Drive Screw Nails</u> (Regular Steel #1023)		<u>Size Extra</u> <u>C.C. Extra</u>
ASWG # 12 x 1/4" x 1-1/2"	\$5.49	(\$4.85)      (\$0.63)
# 11-1/2 x 9/32" x 2"	5.28	( 4.64)      ( 0.63)
x 2-1/4"	5.28	( 4.64)      ( 0.63)
# 11 x 9/32" x 2-1/2"	5.12	( 4.48)      ( 0.63)
# 10 x 5/16" x 3"	5.12	( 4.48)      ( 0.63)
# 9 x 5/16" x 3-1/2"	5.12	( 4.48)      ( 0.63)
(63) <u>Tempered Hardened Steel Drive Screw Nails</u>		<u>Size Extra</u> <u>T.H. Extra</u>
ASWG # 11-1/2 x 9/32" x 2-1/4"	\$8.65	(\$4.64)      (\$4.01)
# 11 x 9/32" x 2-1/2"	8.49	( 4.48)      ( 4.01)
(64) <u>Tempered Hard Steel Drive Screw Flooring Nails</u>		<u>Size Extra</u> <u>T.H. Extra</u>
6d # 11-1/2 x 13/64" x 2"	\$8.65	(\$4.64)      (\$4.01)
7d # 11-1/2 x 13/64" x 2-1/4"	8.65	( 4.64)      ( 4.01)
8d # 11-1/2 x 13/64" x 2-1/2"	8.49	( 4.48)      ( 4.01)

<u>TYPE/SIZE</u>		<u>TOTAL EXTRA</u>			
<u>(65) Bright Annular Threaded Truss Nails</u>		<u>Size Extra</u>			
ASWG # 11 x 9/32" x 1-1/2"	\$4.75	( \$4.75 )			
<u>(66) Tempered Hardened Steel Ring Shank Panel Board Nails</u>		<u>Size Extra</u>	<u>T.H. Extra</u>		
ASWG # 16-1/2 x 1"	\$14.35	( \$10.34 )	( \$4.01 )		
x 1-1/4"	14.35	( 10.34 )	( 4.01 )		
x 1-5/8"	13.67	( 9.65 )	( 4.01 )		
<u>(67) Tempered Hardened Steel Ring Shank E/G Color Painted Panel Board Nails</u>		<u>Size Extra</u>	<u>T.H. Extra</u>	<u>EG Extra</u>	<u>Paint Extra</u>
ASWG # 16-1/2 x 1"	\$21.63	( \$10.34 )	( \$4.01 )	( \$2.74 )	( \$4.54 )
x 1-1/4"	21.63	( 10.34 )	( 4.01 )	( 2.74 )	( 4.54 )
x 1-5/8"	20.94	( 9.65 )	( 4.01 )	( 2.74 )	( 4.54 )
<u>(68) Tempered Hardened Steel E/G Screw Siding Nails</u>		<u>Size Extra</u>	<u>T.H. Extra</u>	<u>E/G Extra</u>	
7d ASWG # 11-1/2 x 7/32" x 2-1/4"	\$10.97	( \$4.64 )	( \$4.01 )	( \$2.32 )	
8d       # 11-1/2 x 7/32" x 2-1/2"	10.81	( 4.48 )	( 4.01 )	( \$2.32 )	
<u>(69) Tempered Hardened Steel Fluted Masonry Nails</u>		<u>Size Extra</u>	<u>T.H. Extra</u>		
ASWG # 9 x 5/16" x 3/4"	\$10.29	( \$6.28 )	( \$4.01 )		
x 7/8"	9.86	( 5.86 )	( 4.01 )		
x 1"	9.39	( 5.38 )	( 4.01 )		
x 1-1/4"	9.39	( 5.38 )	( 4.01 )		
x 1-1/2"	9.18	( 5.17 )	( 4.01 )		
x 2"	8.97	( 4.96 )	( 4.01 )		
x 2-1/2"	8.49	( 4.48 )	( 4.01 )		
<u>(70) Tempered Hardened Steel H/D Galv. Screw Siding Nails</u>		<u>Size Extra</u>	<u>T.H. Extra</u>	<u>H/D Extra</u>	
7d ASWG # 11-1/2 x 7/32" x 2-1/4"	\$14.77	( \$4.64 )	( \$4.01 )	( \$6.12 )	
8d       # 11-1/2 x 7/32" x 2-1/2"	14.61	( 4.48 )	( 4.01 )	( 6.12 )	

Rev. July, 1978

## Special Order Size Extras for Ring, Screwed and Fluted Shank Specialty Nails (\$ Extra/50 lbs.)

Shank- gauge length	4-6-1/2	7-8-1/2	9-10-1/2	11-11-1/2	12-12-1/2	13-13-1/2	14-14-1/2	15-16-1/2
3/4"	-	-	6.28	-	-	-	10.81	-
7/8	-	-	5.85	-	-	7.44	10.34	11.23
1-1-3/8	-	-	5.38	4.96	5.06	6.54	9.44	10.34
1-1/2-1-7/8	-	-	5.17	4.75	4.85	6.07	8.97	9.65
2-2-3/8	-	-	4.96	4.64	4.64	5.38	8.12	-
2-1/2-3	-	4.48	4.48	4.48	4.48	4.96	-	-
3-1/8-4	5.64	4.48	4.48	-	-	-	-	-
4-1/2-Up	6.07	5.38	-	-	-	-	-	-

Size extras determined from this table apply only to items 50-70.

Rev. August, 1978

BARBED WIRE 2 ply Iowa Type 12.50
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Category AISI 21

Tariff Schedule Number

642,0200 Free

3rd Quarter

4th Quarter

Base Price per Metric Ton \$ 551

\$578

Charges to CIF

Ocean Freight

Handling

Interest

West Coast

\$42

\$7

\$ 9

Gulf Coast

50

5

12

Atlantic Coast

55

4

12

Great Lakes

60

4

14

Insurance 1% of base price +extras +ocean freight

Extras

None

BLACK PLATE- ASTM A625-76 0.0083" x 34" x COIL

Category AISI 22

Tariff Schedule Number (s) 608.8100 9%  
608.8200 8%

Base Price per Metric Ton 3rd Quarter \$394 4th Quarter \$380

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$23	\$7	\$ 8
Gulf Coast	23	5	10
Atlantic Coast	27	4	11
Great Lakes	35	4	13

Insurance 1% of base price + extras + ocean freight

#### Extras

1. Width Extras
2. Thickness Extras
3. Length Extras

Note: To compute 4th Quarter Extras (i.e. for Black PLate exported to the United States on or after October 1, 1978, multiply extras listed on p2-2 by a factor of .9645.

BLACK PLATE

WIDTH/THICKNESS EXTRAS				(U.S. \$/M.T.)	
WIDTH/ THICKNESS LBS.	Over 20" Thru 23"	Over 23" Thru 27.5"	Over 27.5" Thru 29"	Over 29" Thru 30.5"	Over 30.5"
75 0.0083"	N	44	31	8	Base
80 0.0088"	N	35	21	0	- 7
85 0.0094"	N	24	12	- 7	- 16
90 0.0099"	N	17	5	- 14	- 21
95 0.0105"	N	10	- 1	- 19	- 26
100 0.0110"	N	4	- 6	- 23	- 29
103 0.0113"	N	2	- 8	- 24	- 31
107 0.0118"	N	- 1	- 12	- 27	- 33
112 0.0123"	N	- 5	- 15	- 31	- 36
118 0.0130"	N	- 10	- 18	- 33	- 38
123 0.0135"	N	- 12	- 21	- 35	- 39
128 0.0141"	N	- 15	- 23	- 36	- 41

LENGTH EXTRA - US\$ 21/M.T.

OTHER EXTRAS = N

Key: N = Subject to negotiation  
 - (Minus sign) = Deduction from Base Price

Note: To compute Black Plate 4th Quarter Extras multiply above extras by a factor of .9645.

**ELECTROLYTIC TIN PLATE - SR-25/25 75L x 34" x C****Category AISI 23**

**Tariff Schedule Number (s)**      608.9100      8%  
   608.9200      0.8¢ per lb.

**Base Price per Metric Ton**      3rd Quarter      4thQuarter  
   \$503      515

<b>Charges to CIF</b>	<b>Ocean Freight</b>	<b>Handling</b>	<b>Interest</b>
West Coast	\$26	\$7	\$10
Gulf Coast	27	5	13
Atlantic Coast	34	4	13
Great Lakes	37	4	16

**Insurance 1% of base price + extras + ocean freight**

**Extras**

- A. Coating Extra**
  - (1) Single Reduced ETP
  - (2) Double Reduced ETP
- B. Cut Length Extra**
  - (1) Single Reduced ETP
  - (2) Double Reduced ETP
- C. Width Extra**
  - (1) Single Reduced ETP
  - (2) Double Reduced ETP
- D. Quality Extras-ETP**
  - (1) Type D Single Reduced and Double Reduced
  - (2) Type K,A, or J Single Reduced and Double Reduced

**Note:** 3rd quarter extras are on pp 23-2 to 23-7

4th quarter extras are on pp 23-8 to 23-14

## 3rd Quarter Extras Electrolytic Tinplate (\$/MT)

A: Coating extra & Base Weight Extra

## (1) Single Reduced ETP

Coating Base Weight	#10	#20	#25	#35	#50	#75	#100	#50/25	#75/25	#100/25	#100/50	#135/25
70 lbs	-5	16	25	45	71	116	169	53	76	104	127	141
73 lbs	-19	0	10	28	54	96	147	36	58	85	107	121
75 lbs	-28	-10	BASE	19	43	84	134	26	47	74	95	109
78 lbs	-36	-18	-8	10	33	73	120	17	37	62	82	96
80 lbs	-41	-22	-14	4	26	65	112	11	31	55	75	88
83 lbs	-46	-30	-21	-4	18	45	99	2	21	45	64	77
85 lbs	-52	-35	-26	-20	12	49	92	-3	15	38	57	70
88 lbs	-57	-41	-33	-17	3	39	81	-11	7	30	47	59
90 lbs	-61	-44	-37	-21	-1	34	74	-16	2	24	41	54
93 lbs	-65	-50	-42	-27	-7	26	65	-21	-4	17	34	45
95 lbs	-69	-54	-46	-32	-13	20	59	-26	-10	12	27	39
100 lbs	-74	-60	-53	-39	-21	11	47	-34	-18	2	18	28
103 lbs	-78	-64	-57	-43	-26	4	40	-38	-23	-3	12	22
107 lbs	-81	-68	-61	-49	-32	-2	32	-43	-28	-10	5	15
112 lbs	-85	-73	-66	-54	-38	-10	23	-50	-35	-18	-3	6
118 lbs	-91	-79	-73	-61	-45	-19	12	-57	-43	-26	-13	-4
123 lbs	-95	-83	-77	-65	-52	-25	4	-61	-49	-33	-20	-12
128 lbs	-97	-85	-80	-70	-55	-31	-2	-65	-53	-37	-25	-17
135 lbs	-99	-89	-83	-73	-60	-37	-10	-70	-58	-43	-32	-23

3rd Quarter Extras Electrolytic Tin Plate  
(\$/MT)

23-3  
Rev. Aug.,  
1978

(2) Double Reduced ETP

Coating Base Weight	#10	#20	#25	#35	#50	#75	#100	#50/25	#75/25	#100/25	#100/50	#135/25
50 lbs	-14	15	28	57	93	155	229	68	99	139	170	191
53 lbs	-30	-3	10	37	73	130	198	46	76	114	143	162
55 lbs	-41	-15	-2	24	56	114	180	34	62	98	127	146
60 lbs	-55	-31	-19	5	35	87	148	14	40	73	99	117
65 lbs	-65	-43	-33	-11	17	65	121	-3	21	52	76	92
70 lbs	-75	-54	-44	-24	1	46	99	-17	6	35	57	72
75 lbs	-81	-61	-53	-34	-10	32	81	-26	-5	21	41	56
80 lbs	-87	-69	-60	-42	-20	19	65	-36	-16	8	28	41
85 lbs	-92	-75	-66	-50	-28	8	51	-43	-25	-2	17	30
90 lbs	-96	-79	-72	-56	-36	-1	39	-51	-33	-11	6	19
95 lbs	-102	-88	-80	-65	-46	-14	25	-60	-43	-22	-6	5
100 lbs	-106	-92	-84	-71	-53	-21	16	-65	-50	-30	-14	-3

3rd Quarter

B: Cut Length Extra (\$/MT)

(1) Single Reduced

Base Weight	ETP	
70lbs	25	
73lbs	24	
75lbs	23	
78lbs	22	
80lbs	22	
83lbs	21	
85lbs	20	
88lbs	20	
90lbs	19	
93lbs	19	
95lbs	18	
100lbs	17	
103lbs	17	
107lbs	16	
112lbs	16	
118lbs	15	
123lbs	14	
128lbs	14	
135lbs	13	

(2) Double Reduced

Base Weight	ETP	
50lbs	35	
53lbs	33	
55lbs	32	
60lbs	30	
65lbs	26	
70lbs	25	
75lbs	23	
80lbs	22	
85lbs	20	
90lbs	19	
95lbs	18	
100lbs	17	

3rd Quarter  
C: Width Extra (\$/MT)

23-5  
Rev. Aug., 1978

(1) Single Reduced

Base Weight	Under 26 inch		Over 26 inch thru. 27-1/2 inch		Over 27-1/2 inch thru. 29 inch		Over 29 inch thru. 30-1/2 inch		Over 30-1/2 inch	
	ETP		ETP		ETP		ETP		ETP	
70lbs	74		47		33		8		Base	
73lbs	71		45		31		8			
75lbs	70		44		31		7			
78lbs	66		42		28		7			
80lbs	64		41		28		7			
83lbs	62		40		27		7			
85lbs	61		39		26		7			
88lbs	59		38		25		6			
90lbs	58		37		25		6			
93lbs	56		36		24		6			
95lbs	55		35		23		6			
100lbs	52		33		22		5			
103lbs	51		32		22		5			
107lbs	49		31		21		5			
112lbs	46		30		20		5			
118lbs	44		27		19		5			
123lbs	42		26		18		4			
128lbs	40		25		18		4			
135lbs	38		24		17		4			

3rd Quarter  
C: Width Extra (\$/MT)

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Rev. Aug., 1978

( 2 ) Double Reduced

Base Weight	Under 26 inch		Over 26 inch thru. 27-1/2 inch		Over 27-1/2 inch thru. 29 inch		Over 29 inch thru. 30-1/2 inch		Over 30-1/2 inch	
	ETP		ETP		ETP		ETP		ETP	
50lbs	104		66		45		12		Base	
53lbs	98		62		43		12			
55lbs	95		60		41		11			
60lbs	87		55		38		10			
65lbs	80		51		35		8			
70lbs	74		47		33		8			
75lbs	70		44		31		7			
80lbs	64		41		28		7			
85lbs	61		39		26		7			
90lbs	58		37		25		6			
95lbs	55		35		23		6			
100lbs	52		33		22		5			

Third Quarter

D : Quality Extras

23-7

Rev. Aug., 1978

(1) Type D

1) Single Reduced		
Base Weight	ETP	
70lbs	36	
73lbs	34	
75lbs	33	
78lbs	32	
80lbs	31	
83lbs	30	
85lbs	30	
88lbs	28	
90lbs	27	
93lbs	26	
95lbs	26	
100lbs	24	
103lbs	24	
107lbs	23	
112lbs	22	
118lbs	21	
123lbs	20	
128lbs	19	
135lbs	18	

2) Double Reduced		
Base Weight	ETP	
50lbs	50	
53lbs	46	
55lbs	45	
60lbs	41	
65lbs	38	
70lbs	36	
75lbs	34	
80lbs	32	
85lbs	30	
90lbs	27	
95lbs	26	
100lbs	24	

(2) Type K, A or J

1) Single Reduced	
Base Weight	ETP
70lbs	23
73lbs	22
75lbs	22
78lbs	21
80lbs	20
83lbs	20
85lbs	19
88lbs	19
90lbs	18
93lbs	17
95lbs	17
100lbs	16
103lbs	16
107lbs	15
112lbs	15
118lbs	14
123lbs	13
128lbs	13
135lbs	12

2) Double Reduced	
Base Weight	ETP
50lbs	33
53lbs	31
55lbs	30
60lbs	27
65lbs	25
70lbs	23
75lbs	22
80lbs	20
85lbs	19
90lbs	18
95lbs	17
100lbs	16

23-8  
Rev. Aug., 1978

4th Quarter Extras  
Electrolytic Tin Plate  
Coating Extra and Base Weight Extra (\$/MT)

1. Single Reduced ETP Coating	A								
	#10	#20	#25	#35	#50	#75	#100	#50/25	#75/25
Base Weight									
70 lbs.	-5	16	26	46	73	119	173	54	78
73 lbs.	-19	0	10	29	55	98	151	37	59
75 lbs.	-29	-10	Base	19	44	86	137	27	48
78 lbs.	-37	-18	-8	10	34	75	123	17	38
80 lbs.	-42	-23	-14	4	27	67	115	11	32
83 lbs.	-47	-31	-22	-4	18	46	101	2	22
85 lbs.	-53	-36	-27	-20	12	50	94	-3	15
88 lbs.	-58	-42	-34	-17	3	40	83	-11	7
90 lbs.	-62	-45	-38	-22	-1	35	76	-16	2
93 lbs.	-67	-51	-43	-28	-7	27	67	-22	-4
95 lbs.	-71	-55	-47	-33	-13	20	60	-27	-10
100 lbs.	-76	-61	-54	-40	-22	11	48	-35	-18
103 lbs.	-80	-66	-58	-44	-27	4	41	-39	-24
107 lbs.	-83	-70	-62	-50	-33	-2	33	-44	-29
112 lbs.	-87	-75	-68	-55	-39	-10	24	-51	-36
118 lbs.	-93	-81	-75	-62	-46	-19	12	-58	-44
123 lbs.	-97	-85	-79	-67	-53	-26	4	-62	-50
128 lbs.	-99	-87	-82	-72	-56	-32	-2	-67	-54
135 lbs.	-101	-91	-91	-85	-61	-38	-10	-72	-59

4th Quarter Extras  
Electrolytic Tin Plate  
Coating Extra and Base Weight Extra (\$/MT)

	A	ETP		
1. Single Reduced		#100/25	#100/50	#135/25
Coating				
<hr/>				
Base Weight				
70 lbs.		106	130	144
73 lbs.		87	110	124
75 lbs.		76	97	112
78 lbs.		63	84	98
80 lbs.		56	77	90
83 lbs.		46	66	79
85 lbs.		39	58	72
88 lbs.		31	48	60
90 lbs.		25	42	55
93 lbs.		17	35	46
95 lbs.		12	28	40
100 lbs.		2	18	29
103 lbs.		-3	12	22
107 lbs.		-10	5	15
112 lbs.		-18	-3	6
118 lbs.		-27	-13	-4
123 lbs.		-34	-20	-12
128 lbs.		-38	-26	-17
135 lbs.		-44	-33	-24

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4th Quarter Extras  
Electrolytic Tin Plate  
(\$/MT)

## 2. Double Reduced ETP

		#10	#20	\$25	#35	#50	#75	#100	#50/25	#75/25	#100/25
50	lbs.	41	74	89	122	163	234	319	135	170	215
53	lbs.	23	54	69	99	140	205	283	110	144	187
55	lbs.	11	40	55	85	121	187	262	96	128	169
60	lbs.	-5	22	36	63	97	156	226	73	103	140
65	lbs.	-17	8	20	45	77	131	195	54	81	116
70	lbs.	-28	-20	7	30	58	110	170	38	64	97
75	lbs.	-35	-12	-3	19	46	94	149	28	52	81
80	lbs.	-42	-21	-11	9	35	79	131	16	42	66
85	lbs.	-47	-28	-18	0	25	66	115	8	29	55
90	lbs.	-52	-33	-25	-6	16	56	102	-1	20	45
95	lbs.	-59	-43	-34	-13	5	41	86	-11	8	32
100	lbs.	-63	-47	-38	-18	-3	33	75	-17	0	23

	<u>#100/50</u>	<u>#135/25</u>
50 lbs.	251	275
53 lbs.	220	242
55 lbs.	202	223
60 lbs.	170	190
65 lbs.	144	162
70 lbs.	122	139
75 lbs.	104	121
80 lbs.	89	104
85 lbs.	77	91
90 lbs.	64	79
95 lbs.	54	63
100 lbs.	41	54

4th Quarter Electrolytic Tin PLate  
B Cut Length Extra (\$/MT)

## 1. Single Reduced

<u>Base Weight</u>	<u>\$/MT</u>
--------------------	--------------

70 lbs.	26
73 lbs.	25
75 lbs.	24
78 lbs.	23
80 lbs.	23
83 lbs.	22
85 lbs.	20
88 lbs.	20
90 lbs.	19
93 lbs.	19
95 lbs.	18
100 lbs.	17
103 lbs.	17
107 lbs.	16
112 lbs.	16
118 lbs.	15
123 lbs.	14
128 lbs.	14
135 lbs.	13

## 2. Double Reduced

<u>Base Weight</u>	<u>\$/MT</u>
--------------------	--------------

50 lbs.	36
53 lbs.	34
55 lbs.	33
60 lbs.	31
65 lbs.	27
70 lbs.	26
75 lbs.	24
80 lbs.	23
85 lbs.	20
90 lbs.	19
95 lbs.	18
100 lbs.	17

4th Quarter  
C. Width Extra (\$/MT)  
1. Single Reduced

ETP Under 26"	ETP Over 26" thru 27½"	ETP Over 27½" thru 29"	ETP Over 29" thru 30½"	ETP Over 30½"
------------------	------------------------------	------------------------------	------------------------------	------------------

Base Weight

70 lbs.	76	48	34	8	
73 lbs.	73	46	32	8	
75 lbs.	72	45	32	7	
78 lbs.	68	43	29	7	
80 lbs.	66	42	29	7	
83 lbs.	63	41	28	7	
85 lbs.	62	40	27	7	
88 lbs.	60	39	26	6	
90 lbs.	59	38	26	6	
93 lbs.	57	37	25	6	
95 lbs.	56	36	24	6	Base
100 lbs.	53	34	23	5	
103 lbs.	52	33	23	5	
107 lbs.	50	32	22	5	
112 lbs.	47	31	20	5	
118 lbs.	45	28	19	5	
123 lbs.	43	27	18	4	
128 lbs.	41	26	18	4	
135 lbs.	39	25	17	4	

Width Extra (\$/MT)  
2. Double Reduced

ETP Under 26"		ETP Over 26" thru 27½"	ETP Over 27½" thru 29"	ETP Over 29" thru 30½"	ETP Over 30½"
<hr/>					
Base Weight					
50 lbs.	106	68	46	12	
53 lbs.	100	63	44	12	
55 lbs.	97	61	42	11	
60 lbs.	89	56	39	10	
65 lbs.	82	52	36	8	
70 lbs.	76	48	34	8	
75 lbs.	72	45	32	7	
80 lbs.	66	42	29	7	Base
85 lbs.	62	40	27	7	
90 lbs.	59	38	26	6	
95 lbs.	56	36	24	6	
100 lbs.	53	34	23	5	

4th Quarter  
D. ETP Quality Extra

23-14  
Rev. Aug., 1978

1. Type D				2. Type K. A or			
a) Single Reduced		b) Double Reduced		a) Single Reduced		b) Double Reduced	
Base Weight	\$/MT	Base Weight	\$/MT	Base Weight	\$/MT	Base Weight	\$/MT
70 lbs.	37	50 lbs.	51	70 lbs.	24	50 lbs.	34
73 lbs.	35	53 lbs.	47	73 lbs.	23	53 lbs.	32½
75 lbs.	34	55 lbs.	46	75 lbs.	23	55 lbs.	31
78 lbs.	33	60 lbs.	42	78 lbs.	22	60 lbs.	28
80 lbs.	32	65 lbs.	39	80 lbs.	20	65 lbs.	26
83 lbs.	31	70 lbs.	37	83 lbs.	20	70 lbs.	24
85 lbs.	31	75 lbs.	35	85 lbs.	19	75 lbs.	23
88 lbs.	29	80 lbs.	33	88 lbs.	19	80 lbs.	20
90 lbs.	28	85 lbs.	31	90 lbs.	18	85 lbs.	19
93 lbs.	27	90 lbs.	28	93 lbs.	18	90 lbs.	18
95 lbs.	27	95 lbs.	27	95 lbs.	17	95 lbs.	17
100 lbs.	25	100 lbs.	25	100 lbs.	16	100 lbs.	16
103 lbs.	25			103 lbs.	16		
107 lbs.	24			107 lbs.	15		
112 lbs.	23			112 lbs.	15		
118 lbs.	22			118 lbs.	14		
123 lbs.	20			123 lbs.	13		
128 lbs.	19			128 lbs.	13		
135 lbs.	18			135 lbs.	12		

HOT ROLLED STEEL SHEETS - ASTM A569 0.121" x 48" x COIL

Category AISI 25

Tariff Schedule Number (s) 608.8440 - 7 1/2%  
608.8565 - 9 1/2% + ADDITIONAL DUTIES (SEE  
608.8742 - 8% HEADNOTE 4 TSUS)

Base Price per Metric Ton 3rd Quarter 4th Quarter  
\$244 \$262

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$23	\$7	\$5
Gulf Coast	23	5	7
Atlantic Coast	27	4	7
Great Lakes	31	4	9

Insurance 1% of base price + extras + ocean freight

Extras

1. Width Thickness Extra
2. Cut Length Extra
3. Specification Extra
4. Other Extras

Note: All Extras on pp 25-3 through pg 25-12 are to be increased 7.38% for all sheets shipped to the United States on or after October 1, 1978.

Hot Rolled Steel Band - ASTM 569 0.121" x 48" x coil
---

Category AISI 25			
tariff schedule Number		608.8440 - 7½%	
		3rd Quarter	4th Quarter
Base Price Per Metric Ton		\$238	\$250
Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$23	\$7	\$5
Gulf Coast	23	5	7
Atlantic Coast	27	4	7
Great Lakes	31	4	9

Insurance 1% of base price + extras + ocean freight

Extras

1. Width thickness extra
2. Specification extra
3. Other extra

Note: T.P. on this product based on actual weight - theoretical weight does not apply. Material not edge trimmed. Extras for hot rolled sheets will apply until revised extras are available. These extras, on pp 25-3 through pp 25-12 are to be increased 7.38% for all bands shipped to the United States on or after October 1, 1978.

Hot Rolled Sheets + Band  
Width Thickness Extra (\$/MT)

25-3  
Rev. Aug. 1978

Width/thickness	over 12" up to 24"	From 24" thru 36"	Over 36" thru 48"	Over 48" thru 72"	Over 72" thru 76"	Over 76" thru 84"
over 0.5	---	12 + N	12 + N	12 + N	12 + N	12 + N
from 0.312 thru 0.5	26	12	12	12	12	15
from 0.251 thru 0.3119	26	12	12	12	12	13
from 0.230 thru 0.2509	17	0	0	0	7	13
from 0.180 thru 0.2299	17	0	0	0	6	12
from 0.121 thru 0.1799	17	0	0	0	11	12 + N
from 0.081 thru 0.1209	17	13	7	0	11	---
from 0.071 thru 0.0809	25	19	14	14	11 + N	---
from 0.061 thru 0.0709	38	28	21	21	---	----
from 0.0568 thru 0.0509	41	32	21 31	21 + N	---	---
from 0.0509 thru 0.0507	41 + N	32+N	31 + N	21 + N	----	---

Note: All above extras are to be increased by 7.38%  
for all sheet and band ~~exported~~ to the United States  
on or after October , 1978.

Rev. Aug, 1978

B-P/O Extra on Pickled	
Thickness	\$/M.T.
0.172" & up	21
under 0.172"	14

N=Subject to Negotiation

C-Other Extras	\$/SM.T.
1. <u>Quality</u> -Drawing Q-Rimmed Killed	11 24
2. <u>Structural</u> -A570 D/E	16
3. <u>Chemistry</u> (Carbon Range)	
0.26% to 0.34%	24
0.35% & up	24+N
4. <u>High Strength Carbon Steel</u>	
YP 45,000 to 50,000 P.S.I.	11
YP 50,000 P.S.I. & up	11+N
5. <u>High Strength Low Alloy Steel</u>	
D-A607-G45	24
50	27
55	42
D-COR-TEN A	63
6. TMW Extra (Hot Rolled Sheets)	11

Note: All above extras are to be increased by 7.38% for all sheet and band shipped to the U.S. on or after October 1, 1978.

Rev. Aug. 1978

CUT LENGTH EXTRA-FOR HOT ROLLED SHEETS CUT TO LENGTH-

Description	\$/MT
To be added to the price of coils	
Under 3/16" in thickness and thru 72" in width	
(1) 0.070" & thinner	
24" to under 36" long	28
36" to under 48" long	22
48" thru 240" long	20
over 240" long	23
(2) 0.071" & thicker	
24" to under 36" long	25
36" to under 48" long	18
48" thru 240" long	17
over 240" long	20

Note: All above extras are to be increased by 7.38%  
for all sheet **exported to the United States**  
on or after October 1, 1978.

Rev. Aug 1978

Specification	Thickness	\$/MT
A570		
D		16
E		16
D-A607-G45		24
50		27
D-CORTEN A		63
<u>ASTM &amp; ASME</u>		
A36	1-1/2" or less	Nil
A283 Gr. A,B,C, D	1-1/2" or less	Nil
A285 Gr. A,B,C	1-1/2" or less	18
A515	1-1/2" or less	39
Gr. 55, 60, 65, 70		
A516		
Gr. 55, 60	1/2" or less	45
Gr. 65, 70	1/2" or less	47
A455		
Type 1	-	26
Type 2	-	47
A537, Class 1	5/16" or less over 5/16" up to 1/2"	179 176
Note : All above extras are to be increased by 7.83% for all sheet and band shipped to the U.S. on or after October 1, 1978		

Note: All above extras are to be increased by 7.38% for all sheet and band exported to the United States on or after October 1, 1978

25-7

A633	Gr. C	5/16" or less	184
		over 5/16" up to 1/2"	170
Gr. E		5/16" or less	204
		over 5/16" up to 1/2"	200
AR		- -	65
AR300, 350 (Q&T Extra included)			237
A202			
Gr. A	All Thickness		137
Gr. B	All Thickness		116
A203			
Gr. A	2" or less		216
Gr. B			216 211
Gr. D			
Gr. E	4" or less		295
A204			
Gr. A	2" or less		142
Gr. B	1" or less		142
Gr. C	4" or less		132

Rev. Aug. 1978

Specification	Thickness	\$/MT
A387		
Gr. 2	All Thickness	174
Gr. 11	All Thickness	211
Gr. 12	All Thickness	179
Gr. 21	All Thickness	396
Gr. 22	All Thickness	364
A533		
Gr. A	All Thickness	142
Gr. B	All Thickness	179
Gr. C	All Thickness	195
Gr. D	All Thickness	164
A553		
Type 1	All Thickness	781
Type 2	All Thickness	686
A360 (Q&T Extra Included)	1-1/2" or less	248
A514 (Q&T Extra Included)		
Type B	5/16" or less	322
	over 5/16" up to 1/2"	285
Type F	5/16" or less	438
	over 5/16" up to 1/2"	401
Type H	5/16" or less	369
	over 5/16" up to 1/2"	332

Note: All above extras are to be increased by 7.38%  
for all sheet and band shipped to the United States  
on or after October 1, 1978.

Rev. Aug, , 1978

Note: All above extras are to be increased by 7.38% for all sheet and band shipped to the United States or after October 1, 1978.

Specification	Thickness	\$/MT
A517 (Q&T Extra included)		
Gr. B	5/16" or less	338
	over 5/16" up to 1/2"	306
Gr. F	5/16" or less	353
	over 5/16" up to 1/2"	422
Gr. H	5/16" or less	385
	over 5/16" up to 1/2"	353
A225		
Gr. A, B	4" or less	121
A302		
Gr. A	1" or less	148
Gr. B	1" or less	158
ABS & A131		
Gr. A	1/2" or less	4
Gr. B		
Gr. CS (Normalized)	1/2" or less	116
Gr. D (Normalized)	1/2" or less	116

Rev. July, 1978

Specification	Thickness	\$/BT
ABS & A131 (Cont'd)		
Gr. E (Normalized)	1/2" or less	137
	over 1/2" up to 2"	127
Gr. DS (as Rolled Normalized)	1-3/8" or less	42
	over 1-3/8" up to 2"	100
Gr. AH32	1/2" or less	38
	over 1/2" up to 1-1/2"	59
	over 1-1/2" up to 2"	61
Gr. AH36	1/2" or less	46
	over 1/2" up to 1-1/2"	68
	over 1-1/2" up to 2"	70
Gr. DH32 (Killed Normalized)	1/2" or less	137
	over 1/2" up to 2"	127
Gr. DH36 (Killed Normalized)	1/2" or less	137
	over 1/2" up to 2"	127
Gr. EH32 (Killed Normalized)	1/2" or less	158
	over 1/2" up to 2"	137
Gr. EH36 (Killed Normalized)	1/2" or less	158
	over 1/2" up to 2"	137
<u>SAE</u>		
1345	-	74
4130	-	111
4140	-	116
4150	-	116
4340	-	227
5150	-	79
5160	-	79
6150	-	132

REV. JULY, 1978

Specification	Thickness	\$/MT
<u>SAE</u> (Cont' d)		
8615	-	158
8617	-	158
8620	-	142
9260	-	111
Other Specification Extra	To be specified on SSSI	

Rev. July, 1978

3-OTHER EXTRAS

Description	\$/MT
Killed	21
Fine Grain	6
Charpy	
+40°F & up	
L	16
T	21
L & T	26
under +40°F	
L	21
T	26
L & T	32
Normalize	74
Quench. & Temper	127
Normalize & Temper	127
Checker	
Pickled & Oiled	
Up to 0.172" Thickness	14
Over 0.172" Thickness	20
Others	To be specified on SSSI

ELECTRICAL STEEL SHEETS - GRAIN ORIENTED - M-4    0.012" x 33" x C
--

Category AISI        26

Tariff Schedule Number (s)        608.8845 - 10%

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$1,055	\$1106

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$26	\$7	\$17
Gulf Coast	27	5	21
Atlantic Coast	33	4	22
Great Lakes	37	4	27

Insurance 1% of base price + extras + ocean freight

## Extras

1. Grade Extra
2. Surface Insulation Extras
3. Packing Extra
4. Size Extra

Note: Size extras on pg 26-2 are to be increased by 4.86%  
on all sheet shipped to the United States on or after  
October 1, 1978.

## EXTRA FOR ELECTRICAL STEEL

### Grain Oriented Electrical Steel

(1) Grade Extra	(M-4 = 100.0)	(Grade extra including base)
(Grade)	(Thickness)	Multiplies Base by:
M-2H	(0.012")	1.03
M-3H	(0.012" and 0.014")	1.015
M-4H	(0.012" and 0.014")	1.00 (Base)
M-4	(0.011")	1.00 (base)
M-5	(0.012" and 0.014")	0.964
H-6	(0.014")	0.909

(2) Surface Insulation Extras

Coating Extras are included in a base price.

(3) Packing Extra

Nil

(4) Size Extra (Unit-US\$/M.T.)

Width/ Grade	Over 1" Thru 2"	Over 2" Thru 6"	Over 6" Thru 17"	Over 17" Up to 31"	31", 33", or 34"
M-2H	79	55	51	64	Nil
M-3H	78	54	51	63	Nil
M-4H	77	54	50	62	Nil
M-4	77	54	50	62	Nil
M-5	74	52	49	60	Nil
M-6	71	51	48	59	Nil

Note: All above size extras are to be increased by 4.86% on all sheets shipped to the U.S. on or after 10-1-78.

ELECTRICAL STEEL SHEETS - NON ORIENTED - M-45 0.018" x 36" x C

Category AISI 26

Tariff Schedule Number (s) 608.8845 - 10%

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$568	\$596

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$26	\$7	\$17
Gulf Coast	27	5	21
Atlantic Coast	33	4	22
Great Lakes	37	4	27

Insurance 1% of base price + extras + ocean freight

#### Extras

1. Grade Extra
2. Surface Insulation Extras
3. Packing Extra
4. Size Extra

Note: Size extras on pg 26-4 are to be increased by 4.86% on all sheet shipped to the US on or after 10-1-78.

# NON-ORIENTED ELECTRICAL STEEL

(1) Grade Extra (M-45 = 100.0) (Grade Extra Including base)

	<u>Fully-Processed</u>	<u>Semi-Processed</u>
	multiply base by:	
M-47		.947
M-45	Base	Base
M-43	1.052	1.053
M-36	1.177	1.18
M-27	1.23	1.235
M-22	1.282	1.287
M-19	1.331	-
M-15	1.396	-

(2) Surface Insulation Extras

Coating Extras are included in a base price.

(3) Packing Extra

Nil

(4) Size Extra (Unit-US\$/M.T.)

Width/ Gage/ (Thickness)	Over 2" Thru 6"	Over 6" Thru 18"	Over 18" Thru 24"	Over 24" Thru 28"	Over 28" Thru 36"	Over 36" Thru 40"
22, 23, & 24 (.0310"-.0250")	33	27	42	8	Nil	17
25 & 26 (.0220"-.0185")	48	42	57	23	15	33
27 (.0170")	65	59	74	41	33	50

Note: All above size extras are to be increased by 4.86% on all sheet shipped to the US on or after 10-1-78.

COLD ROLLED SHEETS - ASTM A366      1.0m/m x 48" x C

Category AISI      26

Tariff Schedule Number (s)      608.8744      8%

	3rd Quarter	4th Qtr.
Base Price per Metric Ton	\$313	\$328

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$23	\$7	\$ 7
Gulf Coast	23	5	8
Atlantic Coast	27	4	9
Great Lakes	31	4	11

Insurance 1% of base price + extras + ocean freight

#### Extras

1. Width & Thickness
2. Cut Length
3. Coil Weight
4. Finish
5. Surface Treatment
6. Quality
7. Chemistry
8. Quantity Extra
9. Restricted Tolerance
10. Theoretical Minimum Weighing
11. Others

Note: All extras on p 26-6 through 26-9 are to be increased by 4.86% for all sheet shipped to the U.S. on or after 10-1-78.

### EXTRAS FOR COLD ROLLED STEEL SHEET

Note: All below extras are to be increased by 4.86% on all sheet exported to the U.S, on or after 10-1-78.

**\* WIDTH & THICKNESS**

UNIT: US\$/MT

Thickness, Inches	Width, Inches				
	$24 \leq W < 36$	$36 \leq W < 45$	$45 \leq W \leq 60$	$60 < W \leq 68$	$68 < W \leq 72$
$0.097 \leq T < 0.126$	25	19	11	19	25
$0.083 \leq T < 0.097$	25	19	8	17	25
$0.064 \leq T < 0.083$	21	19	4	13	21
$0.054 \leq T < 0.064$	21	15	0	8	21
$0.028 \leq T < 0.054$	23	15	0	15	27
$0.023 \leq T < 0.028$	38	30	17	21	34
$0.019 \leq T < 0.023$	55	50	41	47	50
$0.014 \leq T < 0.019$	73	69	60	62	—

\* Widths under 24", - Inquire

**\* CUT LENGTH**

Thickness, Inches	Width, Inches	Length, Inches			
		$24 < L \leq 42$	$42 < L \leq 60$	$60 < L \leq 144$	$144 < L$
$0.064 \leq T$	$24 \leq W \leq 72$	23	22	20	22
$0.028 \leq T < 0.064$	$24 \leq W \leq 72$	21	20	18	20
$T < 0.028$	$24 \leq W \leq 72$	24	23	21	23

**\* COIL WEIGHT**

GROSS MAX 10,000 lbs & OVER . . . . .	NONE
GROSS MAX 10,000 lbs UNDER. . . . .	2.00

**\* FINISH**

DULL. . . . .	NONE
COMMERCIAL BRIGHT . . . . .	15.00
EMBOSSED      NON GEOMETRIC . . . . .	37.00
GEOMETRIC . . . . .	47.00

Note: All below extras are to be increased by 4.86% for all sheets shipped to the U.S. on or after 10-1-78.

26-7  
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\* SURFACE TREATMENT

GREASED EDGES . . . . . 1

SPECIAL CLEANLINESS REQUIREMENT

Thickness, Inches	Width, Inches	
	$W \leq 36$	$36 < W$
$0.021 \leq T$	8	8
$T < 0.020$	-	8

\* QUALITY

COMMERCIAL. . . . . NONE

DRAWING . . . . . 11

DEEP DRAWING. . . . . 27

FULL HARD (ROCKWELL HARDNESS B-84 MIN). . . . . NONE

1/4 HARD. . . . . 13

1/2 HARD. . . . . 13

STRUCTURAL (PHYSICAL) - CARBON STEEL. . . . . 16

TWO PRIME SIDES . . . . . 16

CLASS II DISCOUNT . . . . . 10

\* CHEMISTRY

COPPER BEARING. . . . . 11

RESTRICTED CHEMISTRY. . . . . N

\* QUANTITY EXTRA

10 S/T  $\leq$  Q < 10 S/T . . . . . 7

\* RESTRICTED TOLERANCE. . . . . N

\* THEORETICAL MINIMUM WEIGHING. . . . . 11

\* OTHERS. . . . . N

Cold Rolled, Full Hard Coiled Sheet Feedstock for  
Continuous Hot Dip Galvanizing

No trigger Price

This is a semi-finished product half-way between  
hot rolled pickled and cold rolled.

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## COLD ROLLED SHEETS

11. Extra for cold rolled sheet motor laminations as compared with cold rolled sheet \$15

Dimension extras for motor laminations are to be applied with following table:

Width thickness:

Normal Thickness (Inches)	Width (Inches)	
	24" to 36" under	36" thru 48"
0.063" thru 0.035"	\$17 /MT	\$ 6 /MT
0.034" thru 0.028"	21	10
0.027" thru 0.022"	36	25
0.021" thru 0.014"	44	34

Note: all above extras are to be increased by 4.86% on all sheet exported to the U.S. on or after 10-1-78.

ELECTRO GALVANIZED SHEETS - EGC-10g/M<sup>2</sup>

1.0m/m x 48" x C

Category AISI 27

Tariff Schedule Number (s)      608.9430 - 9%  
608.9530 - 0.1¢ per lb. + 8%

3rd Quarter	4th Quarter
Base Price per Metric Ton \$362	\$388

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$24	\$7	\$ 8
Gulf Coast	23	5	9
Atlantic Coast	27	4	10
Great Lakes	36	4	12

Insurance 1% of base price + extras + ocean freight

Extras

1. Thickness/Width
2. Length
3. Coating
4. Chemical Treatment
5. Quality
6. Packing
7. Others

Note: All extras on pgs. 27-2 and 27-3 are to be increased by 7.18% for all sheets shipped to the US on or after 10-1-78.

## EXTRAS FOR ELECTRO GALVANIZED SHEET

Note: All below extras are to be increased by 7.18% for all sheet shipped to the U.S. on or after 10-1-78.

### 1. PRICE BASE

QUALITY: COMMERCIAL

SIZE : MSG 19 (.044" - .039") x 36" - 48" x COIL

COATING: 0.03 OZ/FT<sup>2</sup> (or 10 g/M<sup>2</sup>) ON EACH SIDE

CHEMICAL TREATMENT: PHOSPHATED

WEIGHING: ACTUAL

### 2. EXTRAS FOR OTHER THAN PRICE BASE PRODUCTS

(UNIT: US\$ PER M/T)

#### (1) THICKNESS/WIDTH

THICKNESS (INCHES)	WIDTH (INCHES)			
	$28 \leq W < 30$	$30 \leq W < 36$	$36 \leq W \leq 48$	$48 < W \leq 60$
.057 and Thicker	5	1	- 3	4
.056 - .051	6	2	- 2	5
.050 - .045	7	3	- 1	6
.044 - .039	8	4	Base	7
.038 - .034	10	5	1	8
.033 - .031	14	10	5	12
.030 - .028	17	13	8	16
.027 - .025	20	16	12	19
.024 - .022	25	21	17	24
.021 - .019	31	26	22	
.018 - .017	41	37	33	
.016 - .015	46	42	38	

Note: All below extras are to be increased by 7.18% REV. Aug, 1978  
for all sheets shipped to the U.S. on or after 10-1-78.

## (2) LENGTH

$60" \leq L \leq 168"$  16

$L < 60"$  18

## (3) COATING

0.06 OZ/FT<sup>2</sup> on each side +4

0.03 " Base

0.01 " -2

## (4) Chemical Treatment

Phosphated Base

Chromated -2

Oiled -2

## (5) Quality

Commercial Base

Drawing Subject to Negotiation

Drawing, Special Killed "

Physical (TS, YP, HRS, etc.) 12

## (6) Packing

Coil 4ST UNDER Subject to Negotiation

Sheet 3ST UNDER "

## (7) TMW Extra 11

## (8) Others Subject to Negotiation

GALVANIZED SHEET - ASTM A525G90

0.8m/m x 48" x C

Category AISI 27

Tariff Schedule Number (s) 608.9430 - 9%  
608.9530 - 0.1¢ per lb. + 8%

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$364	\$390

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$24	\$7	\$ 8
Gulf Coast	23	5	9
Atlantic Coast	27	4	10
Great Lakes	36	4	12

Insurance 1% of base price + extras + ocean freight

#### Extras

1. Thickness/Width/Coating
2. Length
3. Packing
4. Finish
5. Quality
6. Quantity
7. Others

Note: All extras on pg 27-5 through 27-7 are to be increased by 7.14% for all sheets shipped to the U.S. on or after 10-1-78.

Note: All below extras are to be increased by 7.14% for all sheets exported to the U.S. on or after 10-1-78.

27-5  
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# EXTRAS FOR GALVANIZED STEEL SHEET

## 1. PRICE BASE

QUALITY: COMMERCIAL

SIZE : GSG23 (UNDER .032" THROUGH .029") x OVER 42" THROUGH 48" x COIL

COATING: G90

WEIGHING: ACTUAL

## 2. EXTRAS FOR OTHER THAN PRICE BASE PRODUCTS (UNIT: US\$ PER M/T)

### (1) THICKNESS/WIDTH/COATING

THICKNESS (INCHES)	WIDTH (INCHES)					COATING	
	24" W < 30	30" W < 36	36" W < 42	42" W < 48	48" W < 60	0.6 oz/F <sup>2</sup>	G60
.130 and Thicker	-71	- 71	-71	- 71	-	-	- 2
.129 - .116	-58	- 58	-58	- 58	-56	-	- 2
.115 - .101	-55	- 55	-55	- 55	-53	-	- 2
.100 - .086	-51	- 51	-54	- 54	-51	-	- 2
.085 - .075	-39	- 39	-41	- 41	-39	-	- 3
.074 - .067	-37	- 37	-39	- 39	-37	-	- 3
.066 - .061	-35	- 35	-37	- 37	-35	-	- 4
.060 - .055	-25	- 25	-27	- 27	-25	-	- 4
.054 - .049	-23	- 23	-25	- 25	-23	- 11	- 5
.048 - .043	-19	- 19	-21	- 21	-19	- 13	- 5
.042 - .038	-15	- 15	-17	- 17	-15	- 16	- 6
.037 - .035	- 4	- 4	- 6	- 6	- 3	- 16	- 6
.034 - .032	- 1	- 1	- 3	- 3	0	- 17	- 7
UNDER .032 THROUGH .029	2	2	0	EASE	4	- 17	- 7
.028 - .026	4	4	3	3	10	- 19	-10
.025 - .023	17	17	16	19	26	- 19	-10
.022 - .021	23	23	23	26	35	- 20	-13
.020 - .019	34	34	34	43	-	- 20	-13
.018 - .017	41	41	41	56	-	- 21	-15
.016	53	53	62	72	-	- 21	-15
.015	63	63	76	85	-	- 23	-17
.014	77	73	78	89	-	- 23	-17
.013	88	83	83	93	-	- 23	-17

WIDTH UNDER 24" ----- SUBJECT TO NEGOTIATION

(2) LENGTH

THICKNESS (INCHES)	LENGTH (INCHES)			
	$42 \leq L < 60$	$60 \leq L < 168$	$168 \leq L < 198$	$198 \leq L$
.029 and Thicker	11	7	12	15
.028 - .017	13	7	14	
.016 - .013	15	7	-	

(3) PACKING

	$W < 2.5ST$	$2.5ST \leq W < 4ST$	$4ST \leq W$
COIL	-	4	BASE
SHEET	5	BASE	-

(4) FINISH

REGULAR SPANGLE	BASE
MINIMUM SPANGLE	NONE
EXTRA SMOOTH	
COIL	17
SHEET	34

Note: All above extras are to be increased by 7.14% for all sheets shipped to the U.S. on or after 10-1-78.

## (5) QUALITY

27-7  
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COMMERCIAL	BASE
LOCK FORMING	NONE
DRAWING	11
DRAWING SPECIAL KILLED	27
STRUCTURAL	
GRADE A	3
" B and C	5
" D and E	11

## (6) QUANTITY

$20ST \leq W$	BASE
$15ST \leq W < 20ST$	1
$10ST \leq W < 15ST$	3

(7) THEORETICAL MINIMUM WEIGHING ----- 16

(8) OTHERS ----- SUBJECT TO NEGOTIATION .

(9) Corrugating....\$19

## 3. REMARKS

Above extra price shall be changed according to the fluctuation of zinc price.

Note: All above extras are to be increased by 7.14% for all sheets shipped to the U.S. on or after 10-1-78.

HOT ROLLED CARBON STEEL STRIP, PRODUCED ON BAR MILLS, CUT LENGTHS
--

Category AISI 29

Tariff Schedule Number (s) 609.0220 6%  
609.0320 8 1/2%  
609.0420 9 1/2%  
3rd Quarter

4th Quarter

Base Price per Metric Ton \$282

\$296

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$23	\$7	\$5
Gulf Coast	26	5	7
Atlantic Coast	29	4	7
Great Lakes	35	4	8

Insurance 1% of base price + extras + ocean freight

Extras

1. Thickness/Width

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**WIDTH AND THICKNESS EXTRAS  
(\$/MT)**

			3rd Qtr.	4th Qtr.
Thickness	Width	Extra	Extra	
0.125 Inches	0.50 Inches	23		24
0.125 Inches	0.625 Inches	5		5
0.125 Inches	0.750 Inches	Base		Base
0.125 Inches	1.000 Inches	Base		Base
0.125 Inches	1.250 Inches	Base		Base
0.125 Inches	1.500 Inches	Base		Base
0.125 Inches	1.750 Inches	Base		Base
0.125 Inches	2.000 Inches	Base		Base

HOT ROLLED CARBON STEEL STRIP PRODUCED ON SHEET MILLS, COILS ONLY
---

Category AISI            29

Tariff Schedule Number (s)    609.0220 6%  
    609.0320 8 1/2%  
    609.0420 9 1/2%

Base Price per Metric Ton		(HOT ROLLED SHEET BASE)		
Charges to CIF	Ocean Freight	3rd Qtr.	4th Qtr.	Interest
		\$244	\$256	
West Coast	\$23	\$7		\$5
Gulf Coast	26	5		7
Atlantic Coast	29	4		7
Great Lakes	35	4		8

Insurance 1% of base price + extras + ocean freight

Extras

1. Width/Thickness
2. Other Extras as per Hot rolled Sheets

Note1: All extras on pg 29-4 are to be increased by 4.86%  
           for all strip shipped to the U.S. on or after 10-1-78.

Note2: Treasury July 26, 1978 trigger price release incorrectly  
           calculated 4th Quarter trigger price at \$262.

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**WIDTH/THICKNESS EXTRAS  
(\$/MT)**

<b>Width/ Thickness (Inches)</b>	<b>Over 2 Inches up to 4 Inches</b>	<b>Over 4 Inches up to 6 Inches</b>	<b>Over 6 Inches up to 12 Inches</b>
From 0.251 thru 0.3119	N.A.	21	19
From 0.230 thru 0.2509	21	21	19
From 0.180 thru 0.2299	25	21	19
From 0.121 thru 0.1799	25	21	19
From 0.081 thru 0.1209	25	21	19
From 0.071 thru 0.0809	35	33	27
From 0.061 thru 0.0709	35	33	27
From 0.0568 thru 0.0609	40	40	31
From 0.0509 thru 0.0567	40	40	31

Note: All above extras are to be increased by 4.86%  
for all strip shipped to the United States on or  
after 10-1-78.

**TIN FREE STEEL SHEETS-SR 75L x 34" x C**

Category AISI 32

Tariff Schedule Number (s) 609.1700 - 9.5%

	3rd Quarter	4th Quarter
Base Price per Metric Ton	\$436	\$441

Charges to CIF	Ocean Freight	Handling	Interest
West Coast	\$26	\$7	\$ 9
Gulf Coast	27	5	12
Atlantic Coast	34	4	12
Great Lakes	37	4	15

Insurance 1% of base price + extras + ocean freight

**Extras**

- A. Base Weight Extra**
  - (3) Single Reduced TFS
  - (4) Double Reduced TFS
- B. Cut Length Extra**
  - (1) Single Reduced TFS
  - (2) Double Reduced TFS
- C. Width Extra**
  - (1) Single Reduced TFS
  - (2) Double Reduced TFS
- D. Quality Extras-TFS**
  - (1) Type D-Single Reduced and Double Reduced.

Note: 3rd Quarter Extras are on pp. 32-2 to 32-6

4th Quarter Extras are on pp. 32-7 to 32-11

## 3rd Quarter A: Base Weight Extras (\$/MT)

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(1) Single Reduced TFS

Base Weight

70 lbs	19
73 lbs	7
75 lbs	BASE
78 lbs	-6
80 lbs	-10
83 lbs	-15
85 lbs	-18
88 lbs	-22
90 lbs	-25
93 lbs	-30
95 lbs	-32
100 lbs	-36
103 lbs	-38
107 lbs	-41
112 lbs	-44
118 lbs	-47
123 lbs	-50
128 lbs	-52
135 lbs	-53

(2) Double Reduced TFS

Base Weight

50 lbs	19
53 lbs	5
55 lbs	-3
60 lbs	-15
65 lbs	-23
70 lbs	-31
75 lbs	-35
80 lbs	-40
85 lbs	-43
90 lbs	-46
95 lbs	-52
100 lbs	-55

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3rd Quarter

B: Cut Length Extra (\$/MT)(1) Single Reduced

Base Weight	TFS
70 lbs	22
73 lbs	21
75 lbs	21
78 lbs	20
80 lbs	19
83 lbs	19
85 lbs	18
88 lbs	18
90 lbs	17
93 lbs	17
95 lbs	16
100 lbs	15
103 lbs	15
107 lbs	15
112 lbs	14
118 lbs	13
123 lbs	13
128 lbs	12
135 lbs	12

(2) Double Reduced

Base Weight	TFS
50 lbs	31
53 lbs	30
55 lbs	28
60 lbs	26
65 lbs	24
70 lbs	22
75 lbs	21
80 lbs	19
85 lbs	18
90 lbs	17
95 lbs	16
100 lbs	15

3rd Quarter

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C: Width Extra (\$1MT)

(1) Single Reduced

Base Weight	<u>Under 26 inch</u>		Over 26 inch		Over 27-1/2 inch		Over 29 inch		<u>Over 30-1/2 inch</u>	
		TFS	thru. 27-1/2 inch		thru. 29 inch		thru. 30-1/2 inch		ETP	TFS
				TFS		TFS		TFS		
70 lbs		65		42		28		7	Base	Base
73 lbs		63		40		27		7		
75 lbs		61		39		26		7		
78 lbs		59		38		25		6		
80 lbs		58		37		25		6		
83 lbs		56		35		24		6		
85 lbs		54		35		23		6		
88 lbs		53		34		23		6		
90 lbs		52		33		22		5		
93 lbs		50		32		21		5		
95 lbs		49		31		21		5		
100 lbs		46		30		20		5		
103 lbs		44		28		19		5		
107 lbs		43		27		19		4		
112 lbs		41		26		18		4		
118 lbs		39		24		17		4		
123 lbs		37		23		16		4		
128 lbs		36		23		16		4		
135 lbs		34		21		15		3		

3rd Quarter

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C Width Extra (\$/MT)

(2) Double Reduced

Base Weight	Under 26 inch		Over 26 inch thru. 27-1/2 inch		Over 27-1/2 inch thru. 29 inch		Over 29 inch thru. 30-1/2 inch		Over 30-1/2 inch	
		TFS		TFS		TFS		TFS		TFS
50 lbs		93		59		40		11		Base
53 lbs		88		56		38		10		
55 lbs		84		54		37		10		
60 lbs		77		50		34		8		
65 lbs		71		45		31		8		
70 lbs		65		42		28		7		
75 lbs		61		39		26		7		
80 lbs		58		37		25		6		
85 lbs		54		35		23		6		
90 lbs		52		33		22		5		
95 lbs		49		31		21		5		
100 lbs		46		30		20		5		

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3rd Quarter

D: Quality Extras (\$/MT)

(1) Type D

1) Single Reduced			2) Double Reduced		
Base		TFS	Base		TFS
Weight			Weight		
70 lbs		32	50 lbs		44
73 lbs		31	53 lbs		41
75 lbs		30	55 lbs		40
78 lbs		28	60 lbs		37
80 lbs		27	65 lbs		34
83 lbs		26	70 lbs		32
85 lbs		25	75 lbs		30
88 lbs		25	80 lbs		27
90 lbs		24	85 lbs		25
93 lbs		23	90 lbs		24
95 lbs		23	95 lbs		23
100 lbs		22	100 lbs		22
103 lbs		21			
107 lbs		20			
112 lbs		19			
118 lbs		18			
123 lbs		18			
128 lbs		17			
135 lbs		16			

4th Quarter A: Base Weight Extra (\$/MT)

Single Reduced TFS		Double Reduced TFS	
<u>Base Weight</u>	<u>\$/MT</u>	<u>Base Weight</u>	<u>\$/MT</u>
70 lbs.	19	50 lbs.	78
73 lbs.	7	53 lbs.	62
75 lbs.	BASE	55 lbs.	53
78 lbs.	-6	60 lbs.	39
80 lbs.	-10	65 lbs.	30
83 lbs.	-15	70 lbs.	21
85 lbs.	-18	75 lbs.	16
88 lbs.	-22	80 lbs.	11
90 lbs.	-25	85 lbs.	7
93 lbs.	-30	90 lbs.	4
95 lbs.	-32	95 lbs.	-3
100 lbs.	-36	100 lbs.	-7
103 lbs.	-38		
107 lbs.	-41		
112 lbs.	-44		
118 lbs.	-48		
123 lbs.	-51		
128 lbs.	-53		
135 lbs.	-54		

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## 4th Quarter

B: Cut Length Extra

## 1. Single Reduced

Base Weight	\$/MT
70 lbs.	22
73 lbs.	21
75 lbs.	21
78 lbs.	20
80 lbs.	19
83 lbs.	19
85 lbs.	18
88 lbs.	18
90 lbs.	17
93 lbs.	17
95 lbs.	16
100 lbs.	15
103 lbs.	15
107 lbs.	15
112 lbs.	14
118 lbs.	13
123 lbs.	13
128 lbs.	12
135 lbs.	12

## 2. Double Reduced

Base Weight	\$/MT
50 lbs.	31
53 lbs.	30
55 lbs.	28
60 lbs.	26
65 lbs.	24
70 lbs.	22
75 lbs.	21
80 lbs.	19
85 lbs.	18
90 lbs.	17
95 lbs.	16
100 lbs.	15

4th Quarter  
C Width Extra (\$/MT)

1. Single Reduced

<u>Base Weight</u>	<u>Under 26"</u>	<u>Over 26" through 27 1/2"</u>	<u>Over 27 1/2" through 29"</u>	<u>Over 29" through 30 1/2"</u>	<u>Over 30 1/2"</u>
70 lbs.	66	42	28	7	
73 lbs.	64	40	27	7	
75 lbs.	62	39	26	7	
78 lbs.	60	38	25	6	
80 lbs.	59	37	25	6	
83 lbs.	57	35	24	6	
85 lbs.	55	35	23	6	
88 lbs.	54	34	23	6	
90 lbs.	53	33	22	5	BASE
93 lbs.	51	32	21	5	
95 lbs.	50	31	21	5	
100 lbs.	47	30	20	5	
103 lbs.	45	28	19	5	
107 lbs.	43	27	19	4	
112 lbs.	41	26	18	4	
118 lbs.	39	24	17	4	
123 lbs.	37	23	16	4	
128 lbs.	36	23	16	4	
135 lbs.	34	21	15	3	

4th Quarter  
C Width Extra (\$/MT)

2. Double Reduced

<u>Base Weight</u>	<u>Under 26"</u>	<u>Over 26" through 27 1/2"</u>	<u>Over 27 1/2" through 29"</u>	<u>Over 29" through 30 1/2"</u>	<u>Over 30 1/2"</u>
50	94	60	40	11	
53	89	57	38	10	
55	85	55	37	10	
60	78	51	34	8	
65	72	46	31	8	BASE
70	66	42	28	7	
75	62	39	26	7	
80	59	37	25	6	
85	55	35	23	6	
90	53	33	22	5	
95	50	31	21	5	
100	47	30	20	5	

4th Quarter

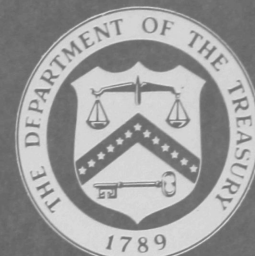
D Quality Extras (\$/MT)

1. Single Reduced

<u>Base Weight</u>	<u>\$/MT</u>
70 lbs.	32
73 lbs.	31
75 lbs.	30
78 lbs.	28
80 lbs.	27
83 lbs.	26
85 lbs.	25
88 lbs.	25
90 lbs.	24
93 lbs.	23
95 lbs.	23
100 lbs.	22
103 lbs.	21
107 lbs.	20
112 lbs.	19
118 lbs.	18
123 lbs.	18
128 lbs.	17
135 lbs.	16

2. Double Reduced

<u>Base Weight</u>	<u>\$/MT</u>
50 lbs.	45
53 lbs.	41
55 lbs.	40
60 lbs.	37
65 lbs.	34
70 lbs.	32
75 lbs.	30
80 lbs.	27
85 lbs.	25
90 lbs.	24
95 lbs.	23
100 lbs.	22



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566-5328

OCT 13 '78

## TREASURY ANNOUNCES PROPOSED REVISIONS IN CUSTOMS INVOICE REQUIREMENTS FOR TRIGGER PRICE MECHANISM

The Treasury Department announced today a proposed rule-making to amend the regulations for the Special Summary Steel Invoice (SSSI) used by the Customs Service to collect information on steel mill product imports under the trigger price mechanism (TPM). The amendments are necessary to obtain certain information to improve the effectiveness of the TPM and to clarify certain existing requirements which have not always been clearly understood.

The new regulations would require those exporters unrelated to their suppliers to state on the SSSI the ex-mill price and the price paid by each subsequent purchaser. This additional information would enable the Treasury to determine whether it should initiate an antidumping investigation based upon the ex-mill price because a U.S. purchaser is using foreign buying subsidiaries to evade the purpose of the trigger price mechanism. As a general rule, the Department would not initiate an investigation if the ex-mill price is in line with the trigger price, adjusted to take account of actual importation costs.

The proposed changes are intended to respond to complaints that U.S. steel users can exploit a loophole in the TPM through the use of foreign buying subsidiaries. If such abuses are identified, the Department will be able to take prompt effective action.

Other changes in the SSSI form and instructions will clarify certain information requirements with respect to commissions paid or allowed on exportation and inland freight charges within the United States.

The proposed rulemaking will be published in the Federal Register October 16 and interested parties are invited to provide their comments in writing to the U.S. Customs Service during the 30 day period after publication. Written comments should be addressed to the Commissioner of Customs, Attention: Regulations and Legal Publications Division, U.S. Customs Service, 1301 Constitution Avenue, N.W., Room 2335, Washington, D. D. 20229. For further information contact Peter Ehrenhaft (202-566-2806).

DEPARTMENT OF THE TREASURY  
UNITED STATES CUSTOMS SERVICE

(19 CFR Part 141)

PROPOSED AMENDMENT TO THE CUSTOMS REGULATIONS RELATING TO DOCUMENTS  
AND INFORMATION REQUIRED AT THE TIME OF IMPORTATION OF CERTAIN  
ARTICLES OF STEEL

AGENCY: U.S. Customs Service, Department of the Treasury.

ACTION: Proposed rule.

SUMMARY: It is proposed to amend the Customs Regulations regarding the Special Summary Steel Invoice ("SSSI") which must be presented to Customs for each shipment of certain articles of steel having an aggregate price over \$2,500. The proposed amendment would modify the SSSI to require the name of the producer and the price paid for the articles covered by the invoice by the initial and each subsequent purchaser in every case.

It also is proposed to modify the existing instructions for preparation of the SSSI to reflect this amendment and to clarify existing instructions relating to freight charges incurred after importation of the merchandise into the United States and to the submission of information concerning commissions. The additional information provided will be used in connection with the administration of the "trigger price mechanism" ("TPM") under the Antidumping Act, 1921, as amended.

DATE: Comments must be received on or before: (30 days from date of publication in the FEDERAL REGISTER).

ADDRESS: Written comments should be addressed to the Commissioner of Customs, Attention: Regulations and Legal Publications Division, U.S. Customs Service, 1301 Constitution Avenue, N.W., Room 2335, Washington, D.C. 20229.

**FOR FURTHER INFORMATION CONTACT:**

**Peter D. Ehrenhaft, Deputy Assistant Secretary and Special Counsel (Tariff Affairs), Department of the Treasury, Washington, D.C. 20220 (202-566-2806).**

**SUPPLEMENTARY INFORMATION:****BACKGROUND**

On February 13, 1978, a final rule published in the FEDERAL REGISTER (43 FR 6065) amended the Customs Regulations to require that a Special Summary Steel Invoice ("SSSI") be presented to Customs for each shipment of certain articles of steel having an aggregate purchase price over \$2,500. The information provided by the SSSI is used in the administration of the Antidumping Act, 1921, as amended.

In addition, the notice of proposed rulemaking on this matter, published in the FEDERAL REGISTER on December 30, 1977 (42 FR 65214), announced that the Secretary of the Treasury would implement a "trigger price mechanism" ("TPM"), as recommended to and approved by the President, as a part of the program to monitor steel imports. The notice also stated that "trigger prices" established for certain steel mill products would provide the basis upon which imports of such products would be monitored for the purpose of determining whether investigations under the Antidumping Act, 1921, as amended, would be appropriate.

Sections 141.86 and 141.89, Customs Regulations (19 CFR 141.86, 141.89), set forth the invoicing requirements for the Special Summary Steel Invoice, Customs Form 5520. The instructions for preparation of

the SSSI implement the regulatory requirements. They were published as part of the final rule in the FEDERAL REGISTER on February 13, 1978 (43 FR 6065).

Since implementation of the TPM and adoption of the SSSI, a number of problems have arisen in administering the program which indicate that some information presently required is not being provided and certain information not presently required is needed to administer the program effectively. The three specific areas in which enhanced data is needed concern foreign affiliations of producers and importers, freight charges incurred after the merchandise is imported into the United States, and buying commissions.

#### PRODUCER INFORMATION

From the SSSI's received during the past six months, it appears that steel is occasionally sold to exporters unrelated to the producer of the steel rather than directly to a U.S. buyer. Some of these exporters are or may be controlled by a U.S. buyer. This situation has given rise to allegations that a U.S. buyer can evade the trigger price monitoring system through the use of foreign buying agents. Although no specific cases of such evasion have been identified, it has been argued that a U.S. importer or purchaser of steel can buy steel below the trigger price through a foreign buying agent and then have that agent export it to the United States at or above the trigger price. However, it is argued that such

a transaction should not be considered to be at or above the trigger price as interpreted under the Antidumping Act, because the relevant price for comparison with the "trigger price" is the price at which the steel is purchased by the foreign agent.

To assure collection of the data needed to prevent evasion of the trigger price mechanism, it is proposed to modify the SSSI by adding a new section 1a, titled "Producer If Other Than Seller (Name, Address, and Relationship to Seller)". Present section 19 would be redesignated section 19b, and a new section 19a, titled "Mill Price", would be added.

In order to provide for this modification to the SSSI, it is proposed to amend section 141.89, Customs Regulations (19 CFR 141.89), by adding a new subparagraph (E) which would require that the name of the producer, plus the price paid by the initial and each subsequent purchaser of the steel, be included on the SSSI in every case.

This information will enable the Treasury Department to determine whether it is appropriate to initiate an antidumping proceeding under the trigger price mechanism. Generally the policy of the Department is not to self-initiate an investigation if the ex-mill price is equal to, or more than, the trigger price minus the actual importation charges if included in the price.

#### COMMISSIONS AND FREIGHT CHARGES

Although sections 9 and 26 of the SSSI specifically require information relating to commissions, information concerning buying commissions is not always provided. Accordingly, it is proposed to modify section 12, the "Declaration of the Seller/Shipper, or Agent" and the instructions

for that section to require the identification of any commissions paid or allowed on exportation as buying or selling commissions, and an itemization of all such payments. This information will be used to make appropriate adjustments in the invoice price before a comparison is made to the trigger prices if it is determined that a U.S. consumer of steel has an interest directly or indirectly through a foreign subsidiary in the export sales transaction.

Similarly, although section 26 of the SSSI requires all charges and fees, including freight charges, to be identified separately by name and amount, charges for freight in the United States paid by the exporter are not always identified specifically. To facilitate the necessary adjustment in the invoice price to take account of such charges before a comparison is made to the trigger price, it is proposed to add a new section 26a, titled "Freight from U.S. Point of Importation."

#### EDITORIAL CHANGES

Because the title to section 23, "Domestic Freight Charges" apparently has not been understood, and because of the addition of new section 26a, it is proposed to change the title of section 23 to "Transportation Costs to Point of Exportation". It also is proposed to modify section 24 to read "Ocean, Air, or International Freight".

The Department has been requested to modify the format of the SSSI by placing sections 10 through 12 and 22 through 26 below sections

13 through 21. It was suggested that this change would expedite preparation and conform the document to the format of other international trade documents, including the Special Customs Invoice, Customs Form 5515. It is proposed to modify the format as outlined.

The instructions for completing present section 19 (redesignated section 19b), "Home Market" unit price, also are being changed to clarify the intent of this section.

#### PROPOSED MODIFIED SSSI

The proposed modified SSSI and instructions are set forth below:

ADDITIONAL SPACE FOR EXTRAS SHOW  
IN BOX 11.

0a. DATE PRICE TERMS AGREED	0b. CURRENCY USED / EXCH. RATE (if fixed or agreed)
-----------------------------	--

(C) SIGNATURE OF SELLER/SHIPPER (OR AGENT):

## 22. PACKING

**U.S. CUSTOMS SERVICE****INSTRUCTIONS FOR PREPARATION OF SPECIAL  
SUMMARY STEEL INVOICE**

**(Required for all shipments of steel over \$2,500)**

**Note:** Where this summary invoice covers several types of merchandise priced in different ways, each should be shown separately. Prepare in duplicate.

Sections 1, 2-7, 8b, 9, 10, 13, 16, 20-22, and 24-26 may be completed in the same manner as the equivalent sections on Special Customs Invoice, Customs Form 5515.

- Section 1a.**     **Producer if Other Than Seller:** Show here the producer's name, address, and relationship to seller. If producer is the same as seller, so indicate in this section.
- Section 8a.**     **Date Price Terms Agreed:** Show here the date on which the final sales price for this shipment was agreed.
- Section 11.**     **Codes for Extras:** This section refers to the additional price charged for extras (other than width and length, which are provided for in 18a and 18b). The code(s) for the extras shown should be reflected in section 18c, and the amount for each extra should be shown in 18d. The extras listed are expressed in terms as now understood in the U.S. market.
- Section 12.**     **Declaration of Seller/Shipper:** Complete and explain if any buying or selling commission, payment or other element of value, other than shown on this invoice, has been or will be made or granted.
- Section 14.**     **AISI Category:** This column should be completed with the appropriate category number from the following list.
- Section 15.**     **Description of Goods:** In addition to the full description of goods as usually required on the Special Customs Invoice, steel specifications which this merchandise meets must be shown.
- Section 17.**     **Base Price:** Show here for each steel category the price per unit, exclusive of extras, on which the total sales price was based.

- Section 18.**      **Extras:** Show here the charge for each category of any extra added to the base price. Use appropriate codes from section 11 where appropriate.
- Section 19a.**    **Mill Price:** In all cases where the exporter is other than the producer, show here the unit price paid by the initial and each subsequent purchaser. If the producer is selling directly to the U.S. buyer, this section need not be completed.
- Section 19b.**    **Home Market Unit Price:** State the unit price in home market currency at which such or similar goods were sold or offered for sale and consumption in the home market at the date nearest to the date shown in section 8a.
- Section 23.**      **Transportation Costs to Point of Exportation:** Show here the cost of transporting the goods from the mill or factory to the point of exportation, that is, the foreign inland freight charge.
- Section 26a.**    **Freight from U.S. Point of Importation:** Show here the cost of transporting the goods from the point of importation in the U.S. if these costs are borne by the exporter or a party related to the exporter. If these costs cannot be determined prior to entry, provide the contract terms stating the exporter's liability.

**Category No. and Products**

1. - Ingots, blooms, billets, slabs, etc.
2. - Wire rods.
3. - Structural shapes - plain 3 inches and over.
4. - Sheet piling.
5. - Plates.
6. - Rail and track accessories.
7. - Wheels and axles.
8. - Concrete reinforcing bars.
9. - Bar shapes under 3 inches.
10. - Bars - hot rolled - carbon.
11. - Bars - hot rolled - alloy.
12. - Bars - cold finished.
13. - Hollow drill steel.
14. - Welded pipe and tubing.
15. - Other pipe and tubing.
16. - Round and shaped wire.
17. - Flat wire.
18. - Bale ties.
19. - Galvanized wire fencing.
20. - Wire nails.
21. - Barbed wire.
22. - Black plate.
23. - Tin plate.
24. - Terne plate.
25. - Sheets - hot rolled.

- 26. - Sheets - cold rolled.
- 27. - Sheets - coated (including galvanized).
- 28. - Sheets - coated - alloy.
- 29. - Strip - hot rolled.
- 30. - Strip - cold rolled.
- 31. - Strip - hot and cold rolled - alloy.
- 32. - Sheets other - electric coated.

## AUTHORITY

The authority for the proposed amendments is R.S. 251, as amended (19 U.S.C. 66), section 407, 42 Stat. 18 (19 U.S.C. 173), sections 481, 484, 624, 46 Stat. 719, 722, as amended, 759 (19 U.S.C. 1481, 1484, 1624), 77A Stat. 14, Tariff Schedules of the United States (19 U.S.C. 1202, General Headnote 11).

## COMMENTS

The Customs Service invites written comments, preferably in triplicate, on the proposed amendments from all interested parties. Comments submitted will be available for public inspection in accordance with section 103.8(b) of the Customs Regulations (19 CFR 103.8(b)) during regular business hours at the Regulations and Legal Publications Division, Headquarters, U.S. Customs Service, 1301 Constitution Avenue, N.W., Room 2335, Washington, D.C. 20229.

## DRAFTING INFORMATION

The principal author of this document was John E. Elkins, Regulations and Legal Publications Division, U.S. Customs Service. However, other personnel in the Customs Service and the Department of the Treasury assisted in its development.

## PROPOSED AMENDMENT

1. It is proposed to amend section 141.89(b)(1), Customs Regulations, (19 CFR 141.89(b)(1)), by adding a new subparagraph (E) to read as follows:

141.89 Additional information for certain classes of merchandise


\* \* \* \* \*

(b) Special summary steel invoice.

(1) \* \* \*

(E) The name of the producer and the price paid by the initial and each subsequent purchaser. One or more continuation sheets may be used to supply this information, if necessary.

\* \* \* \* \*

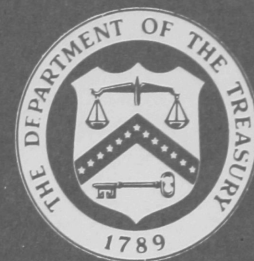


Commissioner of Customs

Approved: OCT 10 1978



General Counsel



REMARKS BY JOHN R. KARLIK, DEPUTY ASSISTANT SECRETARY  
OF THE TREASURY FOR INTERNATIONAL ECONOMIC ANALYSIS  
BEFORE THE  
THE NATIONAL ECONOMISTS CLUB, WASHINGTON, D.C.,  
OCTOBER 12, 1978

EXCHANGE RATE CHANGES, BALANCE OF PAYMENTS ADJUSTMENT,  
AND INFLATION

In testimony before the Senate Banking Committee on February 6, 1978, Treasury Under Secretary Solomon asserted that for each percentage point that the dollar depreciated with respect to the other OECD currencies, he expected that the consumer price index would rise by about .02 of a percentage point as a direct consequence of dollar depreciation. On September 13 Federal Reserve Board Chairman Miller said, "the decline in the value of the dollar has added one percent to the nation's inflation rate during the past twelve months."

Putting these two official statements together, and doing a quick -- but incorrect -- mental calculation, one might deduce that over the past year the dollar had depreciated by some 50 percent with respect to foreign currencies. The dollar has depreciated, but not by that much.

Investigation would reveal that Under Secretary Solomon was speaking only of the direct effects of dollar depreciation, while Chairman Miller was adopting a broader perspective and including indirect consequences as well. Nevertheless, I think

this example is a good illustration of the morass of complexities that one can easily slip into when thinking about dollar depreciation and its consequences without at first addressing with grinding, excruciating specificity a number of complex questions. What I propose to do is to review briefly some of the research that the Treasury is presently engaged in on the phenomenon of exchange rate changes and their consequences. For international economists employed by any of the executive departments or the Federal Reserve, I will say little that is new, since our research activities are generally well known.

#### The Amount of Exchange Rate Change

Not the least of the problems that one encounters immediately when considering these questions is measuring the direction and amount of the exchange rate change that has occurred. You are aware that there have been dramatic shifts with respect to individual currencies. For example, from the beginning of 1978 through October 11, the dollar value of the Japanese yen and the Swiss franc have each increased 29 percent, the dollar value of the German mark has risen 12 percent, but the U.S. dollar value of the Canadian dollar has declined by 7 percent. To get a broad measure of the net change in the foreign exchange value of the U.S. dollar during any given period, it is necessary to calculate an average, and that's where the trouble begins.

There's a list of choices to be made. Namely, which

countries to include in the group on which the average is based? In calculating the average, should the weights used be trade between the United States and each of the individual countries in the group, on the proportionate share of each country in global trade, or on price elasticities as well as trade volume? Should the type of trade that is included be exports, imports, or both? Trade during what base period should be employed to construct the weights? In making these calculations, should arithmetic or geometric averaging be used? Finally, since we are dealing with ratios, what do you put in the numerator and what in the denominator -- should you focus on the dollar value of foreign currencies, or on the foreign currency value of the dollar?

These questions may seem to be so technical as to dissipate into triviality. Indeed, during my many years as a staff economist for the Joint Economic Committee, during which I witnessed the exchange rate changes occurring in the early and mid-1970's, I hardly concerned myself with these issues. Now having changed my perspective, the world looks considerably different.

Let me give some practical examples of how different answers to these questions can lead to quite diverse results. The Federal Reserve Board recently revised its index of exchange rate changes. It now includes the G-10 countries and Switzerland in its group and uses global trade during 1972-76 and geometrical

averaging for its weighting scheme. According to the revised Fed index, the dollar depreciated 2.1 percent in 1977 and 8.3 percent during the first six months of this year. The Treasury calculates an index with respect to two groups of countries -- the OECD and a list of 46 nations with which the United States conducts well over 90 percent of its total trade. The Treasury index is actually an average of an import-weighted index of the change in the dollar value of foreign currencies and an export-weighted index of the change in the foreign currency value of the dollar. 1972 bilateral trade weights and arithmetic averaging are used. With respect to the OECD countries, the Treasury index shows that the value of the dollar declined 4.8 percent in 1977 and another 3.9 percent during the first half of this year. In contrast, with respect to a larger group of 46 countries, the Treasury index showed no change during 1977, and a depreciation of only 1.6 percent during the first six months of 1978.

The International Monetary Fund (IMF) uses its multilateral exchange rate model to calculate the impact on a given country's trade balance of a one percent change in the price of each of nineteen other currencies. These normalized reactions, which take account of both price elasticities and trade volumes, are used to construct an index of effective exchange rate change. According to the IMF index, the dollar depreciated 3.7 percent in 1977 and 5.5 percent in the first half of 1978.

There is a large menu of averages from which one can choose. In addition to those mentioned above, the Morgan Guaranty Trust Company also issues a widely publicized measure. Two or three points are worth noting. First, even for a limited group of countries, the particular nations in the group, the base period, and the weighting scheme can make a significant difference. For example, during 1977, the Treasury OECD index shows a dollar depreciation twice as large as the Fed's G-10 plus Switzerland calculation, and curiously enough, for the first six months of 1978 the relative magnitudes are reversed. Moreover, because the group of 46 countries used in the Treasury index includes many that peg to the dollar, as well as developing nations whose currencies have depreciated significantly with respect to the dollar, the depreciation of the U.S. currency according to this index is either nil or much less than the other indicators show.

What these considerations indicate is that no measure of dollar depreciation may be taken at face value, and that some are superior to others for certain purposes. Consequently, care and thoughtfulness must be employed when using exchange rate indices to estimate the impact of the changes in rates we have seen during the last year and to derive policy conclusions.

### The Impact of Dollar Depreciation on the U.S. Trade Balance

If one were to look at the small dollar depreciation that has occurred with respect to the group of 46 countries with which the United States conducts the overwhelming bulk of its trade, one might pessimistically -- but again incorrectly -- conclude that exchange rate changes in 1977 were offsetting and would do virtually nothing to reduce the U.S. trade deficit. Such a conclusion would be incorrect because U.S. exports to many of the developing countries included in the larger group are not particularly sensitive to price changes, while sales to most of the OECD countries are price elastic. Therefore, in appraising the impact of dollar depreciation on the trade balance, we focus primarily on the industrialized countries.

Since I am emphasizing the problems of measuring exchange rate changes, I will overlook the disputes during recent years about the size of price and income elasticities affecting international trade and describe current Treasury methodology. We have found that the price elasticity of imports into the United States is virtually unity. Therefore, the reduction of the trade deficit that we expect, to the extent that it is the consequence of price changes, will be the result more of export expansion than import reduction. Japanese and Canadian demand for U.S. exports is fairly price sensitive; European demand is less so. In estimating the impact of price changes on U.S. exports, Treasury uses as an independent variable the ratio of foreign wholesale prices adjusted for exchange

rate changes over the U.S. non-agricultural export deflator. We do not simply take the Treasury weighted index of exchange rate changes or its export component and multiply that by an elasticity. Nevertheless the combined responses of various countries to exchange rate changes lead to a rough rule of thumb such that a percentage point dollar depreciation with respect to the OECD currencies leads to about a \$1 billion reduction in our trade deficit.

During the recent IMF meeting Secretary Blumenthal indicated that we expect a reduction in the current account deficit during 1979 of \$6 or \$7 billion. The bulk of this decline would result from a drop in the trade deficit. This change will partly result from an expected slowdown of growth in the United States and acceleration abroad, but the exchange rate changes that have occurred to-date will also have a significant impact. Some of the signs of strengthening are already evident. After remaining stagnant through 1977, from January through July a three-month moving average of non-agricultural exports shows a growth rate slightly exceeding 30 percent. Similarly, the trend of non-petroleum import growth has sharply dropped and as of July, the three-month moving average was only slightly above the previous peak in March. Indeed, real non-petroleum imports have been dropping since the beginning of the year, and the cost of petroleum and product imports has been declining since late 1977.

The Impact of Dollar Depreciation on Domestic Inflation

Both international and domestic research within Treasury are now engaged in a cooperative effort to re-estimate in a more detailed fashion the domestic inflationary consequences of exchange rate changes. This is an extremely difficult task to accomplish with any precision. Our work has not yet progressed sufficiently to be able to report specific results. I can only outline some of the considerations we are attempting to take into account in order to achieve greater accuracy.

Dollar depreciation raises the cost to American manufacturers and consumers of imported raw materials, intermediate components, and final goods. Thus, import rather than combined trade weights should be used in calculating the inflationary impact. In industries operating at full capacity, export demand might also raise dollar prices of goods purchased in additional amounts by foreigners, but this phenomenon can be essentially ignored under today's circumstances.

Because in this case we're concerned about the cost of imports, exchange rate changes should be expressed in terms of the dollar cost of obtaining a fixed amount of foreign currency rather than vice versa.

How exchange rates are expressed, i.e., which currency goes in the numerator and which in the denominator is a trivial consideration for marginal changes. However, when exchange rate movements of the magnitude we have seen this year occur, the difference is no longer trivial. For example, the dollar value of the Japanese yen has increased 29 percent this year, while the amount of yen that can be purchased with the dollar has decreased 23 percent.

The direct inflationary impact of dollar depreciation is simply the increase in the cost of imports to American manufacturers and consumers. This is determined by the magnitude of the exchange rate changes and the extent to which foreign producers decide to pass through the effect of those exchange rate changes by not cutting profit margins to absorb part of the change. Sympathetic price increases in the U.S. domestic economy occur when producers of import-competing goods raise their prices because the cost of imports has increased. These direct and sympathetic price changes then are fed through the economy via feedback loops, including wage increases and shifts in consumer demand. While we may be able to measure the direct consequences of dollar depreciation with a fair degree of accuracy, it is very difficult to catch all of the sympathetic price increases and to measure precisely the type and extent of feedbacks that occur.

As with the impact of dollar depreciation on the trade balance, it is not satisfactory, other than as a rough rule

of thumb, to simply take a weighted average exchange rate change and multiply it by a coefficient to get an estimate of the impact on domestic inflation. As a minimum, one should have data on actual increases in the dollar cost of imports by various classes and the relative weights of these goods in compiling the consumer price index. Because of the large dispersion in exchange rate changes among important trading partners of the United States, it may be desirable to collect data separately on price increases of major imports from principal suppliers. For example, the price of autos imported from Canada has moved very differently from the price of cars imported from Germany, which is still different from the cost of Japanese auto imports. Or to cite another instance, for the past year there has been no increase in oil prices, but a given rise in the cost of imports including a significant oil price increase would have a quite different impact on domestic inflation from the same total rise in the cost of imports without an oil price rise. Again, we are presently working on these refinements but have reached no conclusions.

#### Implications for Policy

The considerations I have expressed lead me to conclude that while dollar depreciation has significant effects in reducing the U.S. trade deficit, the decline induced solely by price changes will be far from dramatic and at a cost that is hardly trivial in terms of additional domestic inflation. We certainly need to rely upon the price mechanism to shift

labor and real capital in this country from the production of non-traded goods into production for export and for competition with imports. But we also desire to minimize the inflationary consequences of dollar depreciation. To achieve this objective, we need, first, to keep the U.S. economy open to import competition, second, to encourage exports also through non-price inducements, such as the program announced last month by the President, and third, maintain a rate of growth and relative price stability sufficient to attract financial and real investment from abroad. Financial investment helps finance our current account deficit and minimize dollar depreciation and its inflationary consequences. Real investment in the form of technology and managerial expertise raises productivity and helps maintain our standard of living.

**FEDERAL FINANCING BANK**  
**September 1978 Activity**

Page 2

BORROWER	: : DATE :	AMOUNT : OF ADVANCE :	: : MATURITY :	INTEREST: : RATE :	INTEREST : RATE :	
						(other than s/a)
<u>Rural Electrification Administration</u>						
Florence Telephone Co. #40	9/1	\$ 618,000.00	12/31/12	8.619%	8.528%	quarterly
Arkansas Electric Coop. #97	9/1	5,559,000.00	12/31/12	8.619%	8.528%	"
Cooperative Power Assn. #70	9/5	11,000,000.00	12/31/12	8.615%	8.524%	"
Tri-State Gen. & Trans. #37	9/6	300,000.00	12/31/80	8.615%	8.524%	"
San Miguel Electric Coop. #110	9/6	5,600,000.00	9/6/80	8.635%	8.544%	"
Wabash Valley Power #104	9/8	2,466,000.00	12/31/12	8.574%	8.484%	"
United Power Assn. #122	9/8	7,500,000.00	9/8/80	8.615%	8.524%	"
Allegheny Elect. Coop. #93	9/11	3,092,000.00	12/31/12	8.568%	8.478%	"
Colorado-Ute Elect. Assn. #78	9/14	960,000.00	12/31/12	8.535%	8.446%	"
Wolverine Elect. Coop. #100	9/15	58,736,000.00	9/15/80	8.625%	8.534%	"
Northern Michigan Elect. Coop. #101	9/15	75,063,000.00	9/15/80	8.625%	8.534%	"
Indiana Rural Elect. Coop. #107	9/15	43,000,000.00	9/15/81	8.515%	8.426%	"
United Power Assn. #86	9/18	1,200,000.00	12/31/12	8.567%	8.477%	"
Continental Tele. of Texas #119	9/20	5,400,000.00	9/20/80	8.715%	8.622%	"
Big River Elect. Corp. #58	9/20	3,827,000.00	9/20/80	8.715%	8.622%	"
Big River Elect. Corp. #65	9/20	12,000.00	9/20/80	8.715%	8.622%	"
Big River Elect. Corp. #91	9/20	1,829,000.00	9/20/80	8.715%	8.622%	"
San Miguel Elect. Coop. #110	9/22	8,000,000.00	9/22/80	8.865%	8.769%	"
Sierra Telephone Co. #59	9/25	120,000.00	12/31/12	8.766%	8.672%	"
So. Mississippi Elect. Pwr. #3	9/26	5,000.00	9/29/80	8.925%	8.828%	"
So. Mississippi Elect. Pwr. #90	9/26	495,000.00	9/29/80	8.925%	8.828%	"
Arizona Elect. Pwr. Coop. #60	9/26	4,233,000.00	12/31/12	8.766%	8.672%	"
Arizona Elect. Pwr. Coop. #103	9/26	3,670,000.00	12/31/12	8.766%	8.672%	"
Continental Tele. of Minnesota #56	9/28	1,074,000.00	12/31/12	8.777%	8.683%	"
Continental Tele. of Minnesota #57	9/28	1,517,000.00	12/31/12	8.777%	8.683%	"
Southern Illinois Power #38	9/29	2,015,000.00	9/29/80	8.895%	8.798%	"
Oglethorpe Elect. Membership #74	9/29	12,520,000.00	10/15/80	8.885%	8.788%	"
Basin Electric Power #88	9/29	105,000.00	9/29/80	8.895%	8.798%	"
Tri-State Gen. & Trans. #89	9/29	9,135,000.00	12/31/80	8.845%	8.749%	"
Allegheny Elect. Coop. #93	9/29	2,248,000.00	12/31/12	8.778%	8.684%	"
Wabash Valley Power #104	9/29	940,000.00	12/31/12	8.778%	8.684%	"
Central Iowa Power #51	9/29	725,000.00	12/31/12	8.778%	8.684%	"
Certificate of Beneficial Ownership	9/30	187,000,000.00	9/30/08	8.785%		
<u>Small Business Investment Companies</u>						
Brentwood Associates, Inc.	9/20	1,000,000.00	9/1/81	8.555%		
Northwest Business Investment Corp.	9/20	150,000.00	9/1/83	8.595%		
Capital Marketing Corp.	9/20	3,000,000.00	9/1/88	8.545%		
Capital Resource Co. of Conn.	9/20	500,000.00	9/1/88	8.545%		
First Capital Corp.	9/20	75,000.00	9/1/88	8.545%		
Rand SBIC, Inc.	9/20	200,000.00	9/1/88	8.545%		
<u>Student Loan Marketing Association</u>						
#160	9/5	50,000,000.00	12/5/78	8.044%		
#161	9/12	70,000,000.00	12/12/78	8.081%		
#162	9/19	55,000,000.00	12/19/78	8.281%		
#163	9/26	70,000,000.00	12/26/78	8.515%		
<u>Tennessee Valley Authority</u>						
Note #82	9/18	70,000,000.00	12/29/78	8.078%		
Note #83	9/29	555,000,000.00	12/29/78	8.203%		
<u>Department of Transportation - Sec. 511 Loans</u>						
Chicago & North Western Trans.	9/1	1,583,165.00	3/1/89	8.583%	8.767%	annually
<u>Western Union Space Communications (NASA)</u>						
	9/20	9,000,000.00	10/1/89	8.595%	8.78%	annually

FEDERAL FINANCING BANK

September 1978 Activity

BORROWER	: : DATE :	: : AMOUNT : OF ADVANCE :	: : MATURITY :	: INTEREST : : RATE :	INTEREST RATE
					(other than s/a)
<u>Department of Defense</u>					
Korea #8	9/1	\$ 400,143.00	12/31/86	8.591%	
Thailand #2	9/1	567,176.43	6/30/83	8.586%	
Thailand #3	9/1	73,672.00	9/20/84	8.591%	
Colombia #2	9/5	154,634.00	9/20/84	8.595%	
Liberia #2	9/6	9,696.00	6/30/83	8.567%	
Ecuador #2	9/7	42,055.60	8/25/84	8.551%	
Turkey #6	9/8	459,389.00	6/3/88	8.529%	
Korea #8	9/11	73,857.36	12/31/86	8.539%	
Peru #2	9/12	282,223.50	4/1/84	8.531%	
Colombia #1	9/14	1,104,937.15	6/30/83	8.550%	
Israel #6	9/18	2,400,000.00	1/12/08	8.556%	
Cameroon #1	9/19	268,083.00	5/10/84	8.607%	
China #3	9/19	1,700,000.00	12/31/82	8.619%	
Ecuador #2	9/19	26,913.68	8/25/84	8.605%	
China #2	9/20	1,034,586.56	12/31/82	8.554%	
Honduras #2	9/20	151,800.00	10/7/82	8.659%	
Korea #8	9/20	117,456,946.18	12/31/86	8.604%	
Thailand #2	9/20	935,020.63	6/30/83	8.645%	
Thailand #3	9/20	330,984.00	9/20/84	8.627%	
Turkey #2	9/20	8,659,383.85	10/1/86	8.612%	
Turkey #4	9/20	11,798,254.50	10/1/87	8.606%	
Turkey #5	9/20	30,000,000.00	12/15/87	8.604%	
China #3	9/21	3,792,577.70	12/31/82	8.673%	
Ecuador #2	9/21	198,900.00	8/25/84	8.656%	
Honduras #2	9/21	23,682.00	10/7/82	8.681%	
Jordan #2	9/21	59,182.58	11/26/85	8.653%	
Tunisia #3	9/21	5,406,481.38	10/1/84	8.659%	
Tunisia #4	9/21	7,952,358.78	10/1/85	8.656%	
Korea #8	9/22	16,431,674.00	12/31/86	8.689%	
Israel #6	9/25	45,002,033.37	1/12/08	8.767%	
Korea #8	9/25	708,183.25	12/31/86	8.704%	
Jordan #3	9/26	430,024.00	12/31/86	8.741%	
Panama #2	9/27	23,406.25	3/31/83	8.746%	
Jordan #2	9/28	68,845.00	11/26/85	8.722%	
Turkey #4	9/28	2,935,721.42	10/1/87	8.72%	
Morocco #3	9/29	14,756,281.00	9/10/85	8.714%	
<u>Export-Import Bank</u>					
Note #16	9/1	218,000,000.00	3/1/80	8.654%	8.562% quarterly
Note #17	9/1	218,000,000.00	9/1/88	8.586%	8.496% quarterly
<u>General Services Administration</u>					
Series M-037	9/8	5,402,524.53	7/31/03	8.557%	
Series L-046	9/15	1,606,173.38	11/15/04	8.522%	
<u>Health Maintenance Organization (HEW)</u>					
Block #3	9/15	6,987,596.60	7/1/99	8.476%	
<u>National Railroad Passenger Corp. (Amtrak)</u>					
Note #15	9/1	4,000,000.00	10/1/78	7.925%	
Note #15	9/25	5,000,000.00	10/1/78	8.35%	
Note #15	9/29	11,100,000.00	10/1/78	8.203%	

FEDERAL FINANCING BANK HOLDINGS  
(in millions of dollars)

September 1978

<u>Program</u>	<u>September 30, 1978</u>	<u>August 31, 1978</u>	<u>Net Change</u> (8/31/78-9/30/78)	<u>Net Change-FY 1978</u> (10/1/78-9/30/78)
<u>On-Budget Agency Debt</u>				
Tennessee Valley Authority	\$ 5,220.0	\$ 5,010.0	\$ 210.0	\$ 1,340.0
Export-Import Bank	6,568.3	6,132.3	436.0	644.8
<u>Off-Budget Agency Debt</u>				
U.S. Postal Service	2,114.0	2,114.0	-0-	-67.0
U.S. Railway Association	356.8	356.8	-0-	46.4
<u>Agency Assets</u>				
Farmers Home Administration	22,275.0	22,275.0	-0-	7,660.0
DHEW-Health Maintenance Org. Loans	57.0	50.0	7.0	27.2
DHEW-Medical Facility Loans	163.7	163.7	-0-	11.5
Treasury-New York City	-0-	-0-	-0-	-1,157.2
Overseas Private Investment Corp.	40.1	40.1	-0-	-4.3
Rural Electrification Admin.-CBO	637.7	450.7	187.0	284.0
Small Business Administration	112.2	114.1	-2.0	-20.9
<u>Government Guaranteed Loans</u>				
DOT-Emergency Rail Services Act	17.5	17.5	-0-	2.9
DOT-Title V, RRRR Act	35.8	34.2	1.6	31.4
DOD-Foreign Military Sales	3,977.9	3,719.2	258.7	1,462.1
General Services Administration	270.2	263.2	7.0	128.1
Guam	36.0	36.0	-0-	-0-
DHJD-New Communities Admin.	38.5	38.5	-0-	-4.0
Nat'l. Railroad Passenger Corp. (AMTRAK)	534.4	536.3	-1.9	-24.0
NASA	236.0	227.6	9.0	180.1
Rural Electrification Administration	4,191.6	3,918.6	273.0	1,809.2
Small Business Investment Companies	250.6	246.5	4.1	74.7
Student Loan Marketing Association	745.0	725.0	20.0	235.0
Virgin Islands	21.8	21.8	-0-	-.2
WMATA	177.0	177.0	-0-	-0-
TOTALS	\$48,077.5*	\$46,668.0*	\$1,409.5	\$12,659.6*

Federal Financing Bank

October 16, 1978

### Agency Issuers

The Tennessee Valley Authority sold to FFB a \$70 million note on September 18, and a \$555 million note on September 29. Both notes mature December 29, 1978, and carry rates of 8.078% and 8.203%, respectively.

On September 30, FFB purchased a \$187 million Certificate of Beneficial Ownership from the Rural Electrification Administration. This CBO will mature on September 30, 2008, and carries an interest rate of 8.785%.

In its weekly short-term FFB borrowings, the Student Loan Marketing Association, a Federally-chartered private corporation which borrows under a Department of Health, Education and Welfare guarantee, raised \$20 million in new cash, and refunded \$225 million in maturing securities. FFB holdings of SLMA notes now total \$745 million.

### FFB Holdings

As of September 30, 1978, FFB holdings totalled \$48.1 billion. FFB Holdings increased by a total of \$12.7 billion during FY-78 (October 1, 1977 through September 30, 1978). FFB Holdings and Activity Tables are attached.

On September 20, FFB purchased a total of \$4,925,000 in debentures issued by 6 small business investment companies. The debentures are guaranteed by the Small Business Administration and mature in 3, 5, and 10 years, with interest rates of 8.555%, 8.595%, and 8.545%, respectively.

FFB purchased the following General Services Administration Purchase Contract Participation Certificates:

<u>Series</u>	<u>Date</u>	<u>Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>
M-037	9/8	\$5,402,524.53	7/31/03	8.557%
L-046	9/15	1,606,173.38	11/15/04	8.522%

On September 20, FFB provided Western Union Space Communications, Inc., with \$9,000,000 at an annual interest rate of 8.78%. This advance is part of FFB's \$687 million financing of a satellite tracking system to be constructed by Western Union and used by the National Aeronautics and Space Administration (NASA). Repayment of these advances is guaranteed by NASA.

#### Department of Transportation (DOT) Guaranteed Lending

On September 21, FFB entered into a Guarantee Agreement with the Federal Railroad Administration to lend \$33,519,000 to the Trustee of the Chicago, Rock Island and Pacific Railroad (CRI). Repayment of these funds is guaranteed by DOT under Section 511 of the Railroad Revitalization and Regulatory Reform Act (RRRR Act), with final repayment due FFB on December 10, 1993.

This is FFB's second loan with CRI. On June 21, 1976, the Trustee of CRI issued a Certificate to FFB covering up to \$17,500,000 in advances to be repaid on June 21, 1991. The full amount of this loan has been drawn by CRI. Repayment of principal and interest under this agreement is guaranteed by the Department of Transportation under the Emergency Rail Services Act.

On September 1, FFB advanced \$1,583,165.00 to the Chicago and North Western Transportation Company. This advance, which is guaranteed by DOT under Section 511 of the RRRR Act, will mature on March 1, 1989, and bears an interest rate of 8.767%, on an annual basis.

Under Note #15, which matures October 1, 1978, FFB lent the following to Amtrak:

<u>Date</u>	<u>Amount</u>	<u>Interest Rate</u>
9/1	\$ 4,000,000	7.925%
9/25	5,000,000	8.35%
9/29	11,100,000	8.203%

FOR IMMEDIATE RELEASE

October 17, 1978

## FEDERAL FINANCING BANK ACTIVITY

September 1-September 30, 1978

Roland H. Cook, Secretary, Federal Financing Bank, announced the following activity for September, 1978.

Guaranteed Lending Programs

During the month of September, the Federal Financing Bank (FFB) entered into a series of loan agreements with the following foreign governments:

<u>Government</u>	<u>Amount</u>
China	\$ 23,500,000
Colombia	25,000,000
Gabon	2,000,000
Haiti	500,000
Honduras	2,500,000
Indonesia	40,000,000
Jordan	71,000,000
Kenya	12,000,000
Liberia	500,000
Malaysia	16,500,000
Morocco	43,000,000
Peru	8,000,000
Philippines	18,500,000
Spain	120,000,000
Thailand	29,500,000

Repayment of advances made under these loan agreements are guaranteed by the Department of Defense under the Arms Export Control Act. Also during the month of September, FFB made 36 advances totalling \$275,719,107.17 to 15 governments under existing DOD-guaranteed loan agreements.

Under notes guaranteed by the Rural Electrification Administration, FFB advanced a total of \$272,964,000.00 to 23 rural electric and telephone systems. Details of individual advances are included in the attached table.



FOR IMMEDIATE RELEASE

October 12, 1978

## RESULTS OF TREASURY'S 52-WEEK BILL AUCTION

Tenders for \$3,163 million of 52-week Treasury bills to be dated October 17, 1978, and to mature October 16, 1979, were accepted at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS: (Excepting 3 tenders totaling \$3,000,000)

	<u>Price</u>	<u>Discount Rate</u>	<u>Investment Rate</u> ( <u>Equivalent Coupon-Issue Yield</u> )
High -	91.653	8.255%	8.93%
Low -	91.628	8.280%	8.96%
Average -	91.636	8.272%	8.95%

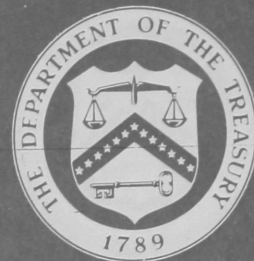
Tenders at the low price were allotted 31%.

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

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	\$ 22,460,000	\$ 8,080,000
New York	4,788,980,000	2,810,640,000
Philadelphia	111,275,000	31,250,000
Cleveland	50,470,000	12,520,000
Richmond	31,965,000	11,275,000
Atlanta	24,615,000	11,615,000
Chicago	352,625,000	178,605,000
St. Louis	31,520,000	7,520,000
Minneapolis	54,510,000	24,510,000
Kansas City	8,575,000	8,575,000
Dallas	2,585,000	2,585,000
San Francisco	246,860,000	49,410,000
Treasury	<u>6,065,000</u>	<u>6,065,000</u>
TOTAL	\$5,732,505,000	\$3,162,650,000

The \$3,163 million of accepted tenders includes \$92 million of noncompetitive tenders from the public and \$1,196 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 \$306 million of the bills will be issued to Federal Reserve Banks as agents of foreign and international monetary authorities for new cash.



Immediate Release  
October 12, 1978

Contact: Charles Arnold  
566-2041

**TREASURY TAX AND LOAN INVESTMENT  
PROGRAM BECOMES EFFECTIVE ON NOVEMBER 2**

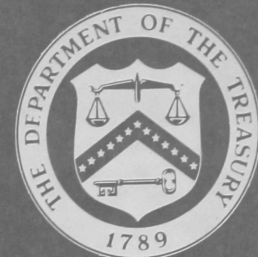
The Treasury Department announced today that the Treasury Tax and Loan Investment Program will become effective November 2, 1978.

Under the Program, the Treasury will earn interest by investing its excess operating cash balances. At the same time, the Treasury will begin paying fees to financial institutions for their services in maintaining Treasury tax and loan accounts, accepting Federal tax deposits, and issuing U.S. Savings Bonds. Also the fees which have been paid for redeeming savings bonds are being revised. The gain to the Treasury from interest earnings, net of payments for services, will amount to an estimated \$50 to \$100 million annually.

The new program was made possible by legislation enacted in October, 1977. Although the Treasury Department issued implementing regulations on May 2, 1978, the new program could not be established until Congress appropriated the funds needed for the payment of service fees. These funds were provided in the recently enacted Treasury appropriations bill for Fiscal Year 1979.

Notice of the establishment of the Program will be published in the Federal Register.

\* \* \*



FOR IMMEDIATE RELEASE  
October 12, 1978

Contact: Alvin M. Hattal  
202/566-8381

**TREASURY DEPARTMENT ANNOUNCES CHANGES  
IN PROCEDURES CONCERNING FIREARMS**

The Treasury Department and the Bureau of Alcohol, Tobacco and Firearms today announced changes in procedures governing routine compliance inspections of firearms, licensees, and investigations of gun shows.

Richard J. Davis, Assistant Secretary of the Treasury for Enforcement and Operations, and John G. Krogman, Acting Director of BATF, said that, except in a small number of situations, BATF employees will no longer make unannounced inspections of licensees. In most cases, licensees will be phoned the day before to notify them of the proposed inspection.

Inspections without prior notification will generally be limited to instances where there is reason to suspect violations based on a licensee's prior conduct or on specific information indicating that a licensee may not be in compliance.

There will also be a small number of random surprise inspections for purposes of compliance analyses to assess the impact of prenotification. According to Acting Director Krogman, "This policy will provide us with the flexibility to deal in as fair a manner as possible with the overwhelming number of dealers who honestly seek to obey the law, while still enabling us to move against those who may be sources of firearms for the criminal."

In another change, the BATF is limiting its investigations of gun shows and flea markets to those instances where there are specific allegations that significant violations have occurred or will occur and where there is reliable information that guns sold at the specific show or flea market have shown up in crimes of violence with some degree of regularity. "While serious violations of the law cannot be ignored," Davis said, "we believe that

(MORE)

BATF must continue its efforts to concentrate its resources on those areas where illegal activity will have the most impact. This means that, except for exceptional cases, criminal enforcement personnel will not be involved in these kinds of shows. We do hope, however, that operators of these shows and markets will work with BATF's regulatory inspectors so that questions about procedures can be amicably resolved."

Davis said the Treasury Department and BATF intend to review the Bureau's operating procedures continually in an effort to improve its record of achievement and to ensure that it carries out its mission with the highest degree of professionalism possible.

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DATE: October 16, 1978

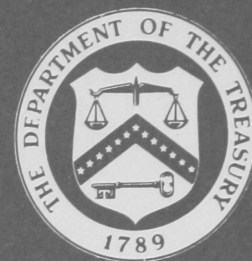
	<u>13-WEEK</u>	<u>26-WEEK</u>
TODAY:	<u>8.209%</u>	<u>8.561%</u>
LAST WEEK:	<u>8.256%</u>	<u>8.422%</u>

HIGHEST SINCE:

<u>9/9/74</u>	_____	<u>8.980%</u>
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LOWEST SINCE:

<u>Oct 2, 1978</u>	<u>8.161%</u>	_____
<del>Jan 9, 1974</del>		



FOR IMMEDIATE RELEASE

October 16, 1978

## 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 October 19, 1978, were accepted at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS: 13-week bills maturing January 18, 1979				:	26-week bills maturing April 19, 1979		
	Price	Discount Rate	Investment Rate 1/	:	Price	Discount Rate	Investment Rate 1/
High	97.928a/	8.197%	8.49%	:	95.694	8.517%	9.02%
Low	97.923	8.217%	8.51%	:	95.658	8.589%	9.10%
Average	97.925	8.209%	8.50%	:	95.672	8.561%	9.07%

a/ Excepting 1 tender of \$180,000

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 1%.

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

Location	Received	Accepted	:	Received	Accepted
Boston	\$ 42,475,000	\$ 26,975,000	:	\$ 40,060,000	\$ 40,060,000
New York	3,775,960,000	1,912,475,000	:	4,438,335,000	2,849,935,000
Philadelphia	23,040,000	22,840,000	:	16,700,000	16,700,000
Cleveland	73,565,000	42,130,000	:	44,365,000	44,365,000
Richmond	32,005,000	27,005,000	:	20,455,000	20,455,000
Atlanta	28,995,000	27,680,000	:	21,495,000	21,495,000
Chicago	208,470,000	83,375,000	:	207,535,000	122,685,000
St. Louis	32,890,000	16,890,000	:	36,680,000	25,680,000
Minneapolis	31,805,000	4,805,000	:	59,865,000	59,865,000
Kansas City	36,510,000	31,060,000	:	55,020,000	49,020,000
Dallas	17,000,000	17,000,000	:	7,965,000	7,965,000
San Francisco	256,050,000	77,235,000	:	190,645,000	130,645,000
Treasury	11,540,000	11,540,000	:	12,435,000	12,435,000
TOTALS	\$4,570,305,000	\$2,301,010,000b/	:	\$5,151,555,000	\$3,401,305,000c/

b/Includes \$ 466,335,000 noncompetitive tenders from the public.

c/Includes \$ 285,690,000 noncompetitive tenders from the public.

1/Equivalent coupon-issue yield.

# Removal Notice



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DEPARTMENT OF THE TREASURY  
OFFICE OF THE SECRETARY

CERTAIN CARBON STEEL PLATES  
FROM VARIOUS COUNTRIES

ANTIDUMPING PROCEEDING NOTICE

AGENCY: U.S. Treasury Department

ACTION: Initiation of Antidumping Investigation

SUMMARY:

This notice is to advise the public that, pursuant to information developed under the "Trigger Price Mechanism" for certain steel mill products, an antidumping investigation is being initiated for the purpose of determining whether imports of carbon steel plates from various countries are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. Sales at less than fair value generally occur when the prices of the merchandise sold for exportation to the United States are less than the prices in the home market.

EFFECTIVE DATE:

(Date of publication in the FEDERAL REGISTER).

FOR FURTHER INFORMATION CONTACT:

Donald W. Eiss, U.S. Treasury Department, Office of Tariff Affairs,  
15th Street and Pennsylvania Avenue, N.W., Washington, D.C. 20220  
(202-566-8256).

SUPPLEMENTARY INFORMATION:

On December 6, 1977, the President approved implementation by the Treasury Department of a "Trigger Price Mechanism" ("TPM") applicable to

importations of certain steel mill products. As stated in the FEDERAL REGISTER of December 30, 1977 (42 F.R. 65214), the TPM consists of four major parts: (1) the establishment of trigger prices for steel mill products imported into the United States; (2) the use of a Special Summary Steel Invoice ("SSSI") applicable to imports of all steel mill products; (3) the continuous collection and analysis of data concerning (a) the cost of production and prices of steel mill products exported to the United States, and (b) the condition of the domestic steel industry; and (4) where appropriate, the expedited initiation and disposition of proceedings under the Antidumping Act of 1921 with respect to imports below the Trigger Prices.

The Trigger Price Mechanism is a monitoring device established by the Treasury Department to determine if basic steel mill products may be sold to the United States at less than fair value. Actual C.I.F. transaction prices on sales to the United States are compared to trigger prices established by the Treasury Department. Prices below the trigger prices are considered to represent potential sales at less than fair value since trigger prices reflect the estimated cost of production of the world's most efficient steel industry.

Information has been developed from analysis of the SSSI's submitted, indicating that imports of certain carbon steel plates, sold by the companies listed below, have been entering the United States at prices below the applicable "Trigger Prices". Such information indicates the possibility that the subject carbon steel plates are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act of 1921, as amended (19 U.S.C. 160 et seq.), by the

following producers and/or sellers of this merchandise, and in those instances where the seller did not also produce the exported product, the manufacturers supplying the firms listed below:

Empresa Nacional Siderurgica, S.A.  
Velasquez, 134  
Madrid-6, Spain

"Stahlexport" Przedsiębiorstwa  
Handlu Zagrenicznego  
Katowice, Plebiscytowa 36  
P o l a n d

China Steel Corp.  
(Taiwan)

The addresses listed above are for identification purposes only and do not necessarily reflect the countries from which those companies have made sales at less than "trigger prices". For purposes of this investigation, sales by those companies controlling, controlled by, or under the common ownership of each listed company in the same country, will be subject to any Finding of Dumping ultimately issued.

Customs' information indicates margins of dumping up to 48.5% based upon: the comparison of export prices to the U.S. with prices to third countries, as reflected by prices applicable to imports of this merchandise into the member states of the European Communities, for exports from Spain; and the comparison of export prices to the U.S. with the foreign market value, as reflected by prices applicable to this merchandise sold for export to the European Community by Spanish producers and set by the Commission of the European Communities for such imports, with respect to this merchandise imported from Poland. For this latter comparison of relevant pricing, Spain

is considered to constitute a country at a comparable level of economic development within the meaning of section 153.7, Customs Regulations (19 CFR 153.7) as amended by 43 F.R. 35262, pertaining to merchandise from state-controlled-economy countries.

With respect to goods exported from the Republic of China, export prices to the United States were compared to the data developed under the Trigger Price Mechanism (TPM) for carbon steel plates contained in AISI category 5. Data regarding "trigger prices" for this product were utilized due to the lack of readily available data regarding Taiwanese home market prices, prices at which this product is sold to third countries by companies in Taiwan or the cost of producing carbon steel plate in Taiwan.

In establishing and administering the TPM, substantial evidence has been developed concerning injury and likelihood of injury to the United States steel industry from sales of foreign steel at less than its fair value. The sector of carbon steel plate seems particularly vulnerable. Domestic consumption increased in 1977 compared to 1976 by 10.3%, and in the first eight months of 1978 by 21.5% compared to the same period in 1977. Based on U.S. Census statistics during those same time frames, imports have increased, respectively, 32.6% and 75.9%. During the first eight months of 1978, total imports of carbon steel plate accounted for 24% of total U.S. domestic consumption. Evidence available indicates that imports from the three countries in which the above-named companies are situated, have increased their shares of this market in both absolute terms and in terms of market penetration. Imports from these companies, occurring at prices less than the relevant trigger prices have been significant, accounting for roughly 25% of total imports of this product from these three countries during the period May-August 1978. Accordingly, it has been determined that a

preliminary referral to the International Trade Commission pursuant to section 201(c) (2) of the Antidumping Act is not required.

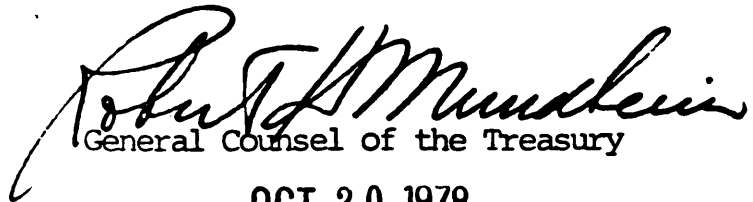
Having conducted a summary investigation pursuant to section 153.29 of the Customs Regulations (19 CFR 153.29) and having determined as a result thereof that there are grounds for so doing, the United States Customs Service is instituting an inquiry to verify information and to obtain the facts necessary to enable the Secretary of the Treasury to reach a determination as to the fact or likelihood of sales at less than fair value. The inquiry will be conducted on an expedited basis.

Standard questionnaires will be promptly presented by the Customs Service to all appropriate parties. Responses to those sections of the questionnaire relating primarily to price data (sections A-C) must be received by the Customs Service within 21 days from the date of presentation but in no case more than 26 days after the date of publication of this notice in the FEDERAL REGISTER. Where appropriate, responses to that section of the questionnaire relating primarily to cost of production data (section D) must be received by the Customs Service within 35 days from the date of presentation but in no case more than 41 days after the date of publication in the FEDERAL REGISTER. Any responses received after the above-cited deadlines will not be considered by the Secretary in making the Tentative Determination and may not be used in making the Final Determination.

All information submitted during this investigation for which confidential treatment is requested must be accompanied (unless section 153.22(a) (2) of the Customs Regulations is applicable) by a full and descriptive non-confidential summary in accordance with section 153.22 of the Customs Regulations (19 CFR 153.22). All information or portions of confidential

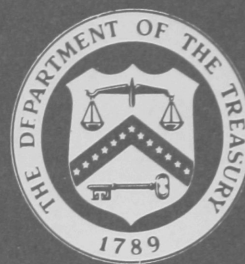
submissions which are not adequately summarized will not be considered by the Secretary in determining the question of sales at less than fair value.

This notice is published pursuant to section 153.30 of the Customs Regulations (19 CFR 153.30).



General Counsel of the Treasury

OCT 20 1978  
Robert H. Mundheim



FOR IMMEDIATE RELEASE  
October 16, 1978

Contact: George G. Ross  
202/566-2356

Note to Correspondents:

Attached are tables made available today by the Treasury Department which show Treasury estimates of the revenue, distributional and tax burden effects of "The Revenue Act of 1978," passed by the Congress yesterday but not yet acted upon by the President.

o 0 o

Revenue Effects of H.R. 13511 <sup>1/</sup>

## The Revenue Act of 1978

## Fiscal Year Receipts, 1979-84

(\$ millions)

	Fiscal Years					
	1979	1980	1981	1982	1983	1984
<b>Tax Reductions and Revisions:</b>						
Personal taxes <sup>1/</sup> .....	-8,345	-14,552	-16,644	-19,351	-24,588	-26,452
Business taxes .....	-2,859	-7,026	-8,475	-9,325	-9,529	-10,246
Capital gains taxes and minimum tax .....	-433	-2,914	-3,234	-3,530	-3,829	-4,155
Tax increase from additional capital gains realizations .....	71	889	900	825	597	184
Total, tax reductions and revisions .....	-11,566	-23,603	-27,453	-31,381	-37,349	-40,669
Extension of existing temporary tax provisions ..	-7,489	-13,865	-16,678	-20,545	-22,461	-24,077
Total, Conference Committee bill .....	-19,055	-37,468	-44,131	-51,926	-59,810	-64,746

Office of the Secretary of the Treasury  
Office of Tax Analysis

October 16, 1978

1/ Includes earned income credit outlays.

Revenue Effects of H.R. 13511 ✓

The Revenue Act of 1978

Calendar Year Liabilities, 1979-84

(\$ millions)						
	Calendar Years					
	1979	1980	1981	1982	1983	1984
<b>Tax Reductions and Revisions:</b>						
Personal taxes .....	-12,940	-14,992	-17,395	-20,275	-23,704	-27,802
Business taxes .....	-6,406	-7,721	-9,382	-9,203	-9,931	-10,610
Capital gains taxes and minimum tax .....	-2,906	-3,230	-3,523	-3,822	-4,149	-4,503
Tax increase from additional capital gains realizations .....	889	900	825	597	184	200
Total, tax reductions and revisions .....	-21,363	-25,043	-29,475	-32,703	-37,600	-42,715
Extension of existing temporary tax provisions ..	-13,469	-14,160	-19,583	-21,598	-23,248	-24,774
Total, Conference Committee bill .....	-34,832	-39,203	-49,058	-54,301	-60,848	-67,489

Office of the Secretary of the Treasury  
Office of Tax Analysis

October 15, 1978

1/ Includes earned income credit outlays.

**Conference Committee Personal Income Tax Proposals**

	(\$ millions)		Fiscal Years					
	Full							
	year		1979	1980	1981	1982	1983	1984
	1978							
ax rate reductions .....	-8,690		-6,501	-11,728	-14,074	-16,889	-22,267	-24,317
increase standard deduction to \$2,300 single, \$3,400 joint, \$2,300 head-of-households .....	-1,331	-955	-1,445	-1,518	-1,594	-1,673	-1,757	
pecial general credit .....	9,846	7,100	10,798	11,419	12,090	12,812	13,593	
increase exemption from \$750 to \$1,000 .....	-11,025	-7,983	-12,166	-12,896	-13,669	-14,489	-15,359	
pecial deduction for gasoline tax .....	974	189	1,183	1,396	1,647	1,944	2,294	
olitical contributions .....	-20	--	-20	-36	-20	-20	-20	
exemptions in the earned income credit <u>1</u> / .....	-1,054	-82	-1,210	-960	-921	-885	-850	
echanical changes to earned income credit <u>1</u> / .....	-17	--	-16	-16	-15	-14	-14	
xtension for the exclusion of certain scholarships ....	*	*	*	*	*	*	*	
ualified pension plan -- limitation on benefits .....	*	*	*	*	*	*	*	
RA pension plans .....	-5	-2	-18	-30	-41	-49	-59	
ip income reporting .....	-45	-8	-54	-60	-67	-68	-75	
ndependent contractors .....	*	*	*	*	*	*	*	
ax unemployment compensation .....	246	--	251	261	259	263	268	
ersonal service income .....	-49	-21	-59	-69	-79	-91	-104	
hild care credit .....	-34	-5	-38	-39	-40	-39	-40	
ational Research Service awards .....	--	-52	-18	-10	*	--	--	
echanical changes in IRA's .....	-12	-25	-12	-12	-12	-12	-12	
Total, personal income taxes .....	-11,216	-8,345	-14,552	-16,644	-19,351	-24,588	-26,452	

Office of the Secretary of the Treasury  
Office of Tax Analysis

October 16, 1978

Less than \$5 million.

## Conference Committee Business Proposals

	(\$ millions)						
	Full	Fiscal Years					
	year	1979	1980	1981	1982	1983	1984
	1978						
Reduce corporate rates to 17 percent of first \$25,000, 20 percent of next \$25,000, 30 percent of next \$25,000, 40 percent of next \$25,000, 46 percent above \$100,000 .....	-4,493	-2,265	-5,259	-5,748	-6,236	-6,773	-7,346
Investment credit changes:							
90 percent limit for investment credit .....	-201	-129	-441	-872	-1,015	-782	-687
10 percent investment credit for pollution control facilities .....	-120	-6	-18	-42	-76	-104	-105
Investment credit for farm co-ops .....	-32	-20	-33	-35	-37	-39	-39
Investment credit for certain farm structures 2/ ..	-21	-53	-33	-22	-24	-26	-26
Investment credit for railway freight cars .....	*	-4	-5	*	2	2	2
Investment credit for rehabilitation of structures	-164	-67	-181	-205	-222	-238	-259
ESOP extension .....	-427	--	--	-178	-447	-545	-633
Change in rules for ESOPs and TRASOPs .....	*	*	*	*	*	*	*
Investment credit recapture on property transfers to conrail .....	*	*	*	*	*	*	*
Job credits:							
Targeted unemployment credit .....	--	-141	-483	-651	-426	-86	-86
WIN credit .....	-144	-39	-136	-197	-234	-264	-323
Amendments affecting tax-exempt financing:							
IDB limit is increased to \$1 million and \$10 million .....	-8	*	-3	-13	-22	-30	-36
IDB's for water projects .....	-17	*	-7	-31	-59	-78	-104
IDB's for facilities involving urban grants .....	-3	*	*	-1	-4	-7	-10
IDB's for facilities furnishing electric energy ..	-6	*	-3	-10	-18	-23	-37

Conference Committee Business Proposals

	(\$ millions)						
	Full	Fiscal Years					
	year	1979	1980	1981	1982	1983	1984
	1978						
Accrual accounting for farm corporations .....	*	*	*	*	*	*	*
GSOPs .....	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>
State and local government compensation .....	*	*	*	*	*	*	*
Ten-year produce liability loss carryback .....	-9	*	-1	-7	-8	-9	-9
Product liability reserves .....	*	*	*	*	*	*	*
Extend rapid write-off for low-income housing .....	--	-1	-4	-11	-19	-24	-27
Tightening tax shelter provisions .....	11	2	13	9	7	5	6
Disallow deduction for entertainment facilities ...	26	13	29	31	34	38	41
Regulated investment companies .....	*	*	*	*	*	*	*
Utility construction funds <u>4/</u> .....	-94	*	-50	-100	-100	-100	-100
Deferred compensation plans .....	-136	-86	-159	-175	-192	-212	-233
Cafeteria plans .....	*	*	*	*	*	*	*
Discount coupons, etc. <u>5/</u> .....	-10	--	-108	-21	-22	-23	-24
Cash basis transfers .....	*	*	*	*	*	*	*
Medical and accident reimbursement plans .....	*	*	*	*	*	*	*
Relief for PBB poisoning .....	*	*	*	*	*	*	*
Employee education assistance .....	-23	-18	-29	-32	-36	-37	-40
Increase number of shareholders in Sub-S corporation .....	*	*	*	*	*	*	*
Postponement of net operating loss rules .....	*	*	*	*	*	*	*
Miscellaneous excise taxes <u>6/</u> .....	-47	-45	-46	-47	-47	-47	-47
Certain mutual funds treated as tax shelter annuity .....	*	*	*	*	*	*	*
Interest income on deposits in Puerto Rico .....	*	*	*	*	*	*	*
Estate tax treatment of jointly held property ..	-39	*	-41	-40	-46	-48	-50

Conference Committee Business Proposals

	(\$ millions)						
	Full	Fiscal Years					
	year	1979	1980	1981	1982	1983	1984
	1978						
REIT -- Treatment of property held for sale .....	*	*	*	*	*	*	*
Treatment of sod farms as a nursery .....	*	*	*	*	*	*	*
Exclusion of federal cost-sharing payments .....	-46	*	-28	-77	-78	-79	-74
Small business corporate stock .....	*	*	*	*	*	*	*
 Total, business income taxes .....	 -6,003	 -2,859	 -7,026	 -8,475	 -9,325	 -9,529	 -10,246

Office of the Secretary of the Treasury  
Office of Tax Analysis

October 16, 1978

Footnotes

- 1/ Includes outlays.
- 2/ Retroactive to August 15, 1971.
- 3/ Proposal will result in a negligible revenue loss in the first few years.  
The long-run cost could be substantial.
- 4/ Retroactive to February 1, 1976.
- 5/ Retroactive to 1972. Assumes Internal Revenue Service position upheld.
- 6/ Reduced tax on foundations effective October 1977. Excise tax on  
coin-operated gaming devices phased out beginning July 1, 1978.

**Conference Committee Minimum Tax and Capital Gains Proposals**

		(\$ millions)						
		: Long :	Fiscal Years					
		: run :	1979	1980	1981	1982	1983	1984
		: 1978 :						
<b>Individual minimum tax and capital gains:</b>								
Repeal alternate tax .....	124		20	133	143	154	166	178
Delete gains from maximum tax .....	-47		-6	-52	-57	-63	-69	-76
Delete gains from minimum tax .....	-1,158			-1,274	-1,401	-1,541	-1,695	-1,865
60 percent capital gains exclusion .....	-1,640		-131	-1,763	-1,895	-2,037	-2,190	-2,354
Take excess itemized deductions out of minimum and maximum tax .....	-73			-80	-88	-97	-107	-118
Alternate tax on capital gains and excess itemized deductions only .....	745			820	901	992	1,091	1,200
\$100,000 residence exclusion (ratio method) age 55 and over .....	-377		-165	-415	-456	-502	-552	-607
18-month rollover rule .....	-4		-3	-4	-5	-5	-6	-6
Delay carryover of basis .....	--		-36	-93	-162	-185	-190	-200
Repeal minimum tax on IDC's .....	-51		-51	-61	-73	-84	-97	-111
Exemption from minimum tax for certain charitable transfers .....	-5		-8	*	*	-7	-10	-13
Total individual .....	-2,486		-380	-2,789	-3,093	-3,375	-3,659	-3,972
<b>Corporate minimum tax and capital gains:</b>								
Reduce rate from 30 percent to 28 percent .....	-99		-53	-125	-141	-155	-170	-183
Total corporate .....	-99		-53	-125	-141	-155	-170	-183
Total individual and corporate .....	-2,585		-433	-2,914	-3,234	-3,530	-3,829	-4,155

Office of the Secretary of the Treasury  
Office of Tax Analysis

October 15, 1978

**Conference Committee Personal Income Tax Proposals**

	(\$ millions)						
	: Full :	Calendar Years					
	: year :	1979	1980	1981	1982	1983	1984
	: 1978 :						
Tax rate reductions .....	-8,690	-10,428	-12,514	-15,016	-18,020	-21,624	-25,943
Increase standard deduction to \$2,300 single, \$3,400 joint, \$2,300 head-of-households .....	-1,331	-1,398	-1,467	-1,541	-1,618	-1,699	-1,784
Repeal general credit .....	9,846	10,395	10,985	11,621	12,307	13,047	13,847
Increase exemption from \$750 to \$1,000 .....	-11,025	-11,687	-12,388	-13,131	-13,919	-14,754	-15,639
Repeal deduction for gasoline tax .....	974	1,149	1,356	1,600	1,888	2,228	2,629
Political contributions .....	-20	-20	-36	-20	-20	-20	-36
Revisions in the earned income credit <u>1</u> / .....	-1,054	-1,012	-971	-933	-895	-859	-825
Technical changes to earned income credit <u>1</u> / .....	-17	-16	-16	-15	-14	-14	-13
Extension for the exclusion of certain scholarships ....	*	*	*	*	*	*	*
Qualified pension plan -- limitation on benefits .....	*	*	*	*	*	*	*
IRA pension plans .....	-5	-15	-25	-35	-45	-55	-65
Tip income reporting .....	-45	-50	-54	-60	-66	-72	-80
Independent contractors .....	*	*	*	*	*	*	*
Tax unemployment compensation .....	246	251	261	259	263	268	273
Personal service income .....	-49	-56	-65	-75	-86	-99	-113
Child care credit .....	-34	-35	-36	-37	-38	-39	-41
National Research Service awards .....	--	-18	-10	*	--	--	--
Technical changes in IRA's .....	-12	--	-12	-12	-12	-12	-12
<b>Total, personal income taxes .....</b>	<b>-11,216</b>	<b>-12,940</b>	<b>-14,992</b>	<b>-17,395</b>	<b>-20,275</b>	<b>-23,704</b>	<b>-27,802</b>

Office of the Secretary of the Treasury  
Office of Tax Analysis

October 15, 1978

\*Less than \$5 million.

## Conference Committee Business Proposals

	(\$ millions)						
	Full year 1978	Calendar Years					
		1979	1980	1981	1982	1983	1984
Reduce corporate rates to 17 percent of first \$25,000, 20 percent of next \$25,000, 30 percent of next \$25,000, 40 percent of next \$25,000, 46 percent above \$100,000 .....	-4,493	-5,033	-5,536	-6,008	-6,514	-7,089	-7,659
Investment credit changes:							
90 percent limit for investment credit .....	-201	-287	-629	-1,169	-826	-728	-636
10 percent investment credit for pollution control facilities .....	-120	-8	-25	-53	-91	-112	-107
Investment credit for farm co-ops .....	-32	-33	-34	-36	-38	-40	-42
Investment credit for certain farm structures <u>2/</u> ..	-21	-22	-22	-23	-25	-27	-29
Investment credit for railway freight cars .....	*	-8	-2	2	2	2	2
Investment credit for rehabilitation of structures	-164	-166	-193	-210	-229	-249	-269
ESOP extension .....	-427	--	--	-396	-508	-591	-684
Change in rules for ESOPs and TRASOPs .....	*	*	*	*	*	*	*
Investment credit recapture on property transfers to conrail .....	*	*	*	*	*	*	*
Job credits:							
Targeted unemployment credit .....	--	-388	-608	-705	-86	-86	-43
WIN credit .....	-144	-106	-177	-216	-248	-296	-355
Amendments affecting tax-exempt financing:							
IDB limit is increased to \$1 million and \$10 million .....	-8	-2	-10	-18	-26	-34	-43
IDB's for water projects .....	-17	-5	-24	-46	-68	-95	-122
IDB's for facilities involving urban grants .....	-3	*	-1	-3	-5	-9	-12
IDB's for facilities furnishing electric energy ..	-6	-2	-8	-14	-21	-26	-28

\*Less than \$5 million.

Conference Committee Business Proposals

(\$ millions)							
	Full	Calendar Years					
	year	1979	1980	1981	1982	1983	1984
	1978						
Accrual accounting for farm corporations .....	*	*	*	*	*	*	*
CSOPs .....	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>
State and local government compensation .....	*	*	*	*	*	*	*
Ten-year produce liability loss carryback .....	-9	-2	-10	-10	-9	-9	-10
Product liability reserves .....	*	*	*	*	*	*	*
Extend rapid write-off for low-income housing .....	--	-1	-7	-15	-22	-26	-27
Tightening tax shelter provisions .....	11	13	9	7	5	6	7
Disallow deduction for entertainment facilities ...	26	28	30	33	36	40	43
Regulated investment companies .....	*	*	*	*	*	*	*
Utility construction funds <u>4/</u> .....	-94	-96	-98	-101	-103	-107	-110
Deferred compensation plans .....	-136	-150	-165	-182	-200	-220	-242
Cafeteria plans .....	*	*	*	*	*	*	*
Discount coupons, etc. <u>5/</u> .....	-10	-10	-21	-22	-23	-24	-25
Cash basis transfers .....	*	*	*	*	*	*	*
Medical and accident reimbursement plans .....	*	*	*	*	*	*	*
Relief for PBB poisoning .....	*	*	*	*	*	*	*
Employee education assistance .....	-23	-26	-29	-32	-36	-40	-44
Increase number of shareholders in Sub-S corporation .....	*	*	*	*	*	*	*
Postponement of net operating loss rules .....	*	*	*	*	*	*	*
Miscellaneous excise taxes <u>6/</u> .....	-47	-44	-46	-47	-47	-47	-47
Certain mutual funds treated as tax shelter annuity	*	*	*	*	*	*	*
Interest income on deposits in Puerto Rico .....	*	*	*	*	*	*	*
Estate tax treatment of jointly held property ..	-39	-41	-43	-46	-48	-50	-52

\*Less than \$5 million.

Conference Committee Business Proposals

	(\$ millions)							
	Full	Calendar Years						
	year	1979	1980	1981	1982	1983	1984	
	1978							
REIT -- Treatment of property held for sale .....	*	*	*	*	*	*	*	*
Treatment of sod farms as a nursery .....	*	*	*	*	*	*	*	*
Exclusion of federal cost-sharing payments .....	-46	-17	-72	-72	-73	-74	-76	
Small business corporate stock .....	*	*	*	*	*	*	*	
Total, business income taxes .....	-6,003	-6,406	-7,721	-9,382	-9,203	-9,931	-10,610	

Office of the Secretary of the Treasury  
Office of Tax Analysis

October 15, 1978

\*Less than \$5 million.

Footnotes

- 1/ Includes outlays.
- 2/ Retroactive to August 15, 1971.
- 3/ Proposal will result in a negligible revenue loss in the first few years.  
The long-run cost could be substantial.
- 4/ Retroactive to February 1, 1976.
- 5/ Retroactive to 1972. Assumes Internal Revenue Service position upheld.
- 6/ Reduced tax on foundations effective October 1977. Excise tax on coin-operated gaming devices phased out beginning July 1, 1978.

**Conference Committee Minimum Tax and Capital Gains Proposals**

(\$ millions)								
	: Long	Calendar Years						
	: run	: 1978	: 1979	: 1980	: 1981	: 1982	: 1983	: 1984
	: 1978							
<b>Individual minimum tax and capital gains:</b>								
Repeal alternate tax .....	124	20	133	143	154	166	178	191
Delete gains from maximum tax .....	-47	-6	-52	-57	-63	-69	-76	-83
Delete gains from minimum tax .....	-1,158		-1,274	-1,401	-1,541	-1,695	-1,865	-2,051
60 percent capital gains exclusion .....	-1,640	-131	-1,763	-1,895	-2,037	-2,190	-2,354	-2,531
Take excess itemized deductions out of minimum and maximum tax .....	-73		-80	-88	-97	-107	-118	-129
Alternate tax on capital gains and excess itemized deductions only .....	745		820	901	992	1,091	1,200	1,320
\$100,000 residence exclusion (ratio method) age 55 and over .....	-377	-165	-415	-456	-502	-552	-607	-668
18-month rollover rule .....	-4	-3	-4	-5	-5	-6	-6	-7
Delay carryover of basis .....	--	-36	-93	-162	-185	-190	-200	-210
Repeal minimum tax on IDC's .....	-51	-51	-61	-73	-84	-97	-111	-127
Exemption from minimum tax for certain charitable transfers .....	-5	*	*	*	-7	-10	-13	-16
Total individual .....	-2,486	-372	-2,789	-3,093	-3,375	-3,659	-3,972	-4,311
<b>Corporate minimum tax and capital gains:</b>								
Reduce rate from 30 percent to 28 percent ...	-99	--	-117	-137	-148	-163	-177	-192
Total corporate .....	-99	--	-117	-137	-148	-163	-177	-192
Total individual and corporate .....	-2,585	-372	-2,906	-3,230	-3,523	-3,822	-4,149	-4,503

Office of the Secretary of the Treasury  
Office of Tax Analysis

October 15, 1978

# Conference Tax Bill

## Individual Income Tax Provisions

(1978 Levels of Income)

Expanded income class	Present Law			Conference Bill 1/			
	Tax liability	Percentage distribution	Amount	Tax liability Percentage distribution	Tax change Amount	Percentage distribution	Percentage of pres law ta
(\$000)	(\$ mil.)	( percent )	(\$ mil.)	( percent )	(\$ mil.)	(..... percent ....	
Less than 5	-137	-0.1%	-359	-0.2%	-222	1.6%	162.0
5 - 10	8,248	4.5	6,671	3.9	-1,577	11.5	-19.1
10 - 15	17,067	9.3	15,984	9.4	-1,083	7.9	-6.3
15 - 20	24,054	13.1	22,466	13.2	-1,588	11.6	-6.6
20 - 30	44,773	24.3	41,636	24.4	-3,137	22.9	-7.0
30 - 50	39,258	21.3	36,530	21.4	-2,728	19.9	-6.9
50 - 100	24,009	13.0	22,359	13.1	-1,650	12.1	-6.9
100 - 200	13,130	7.1	12,473	7.3	-657	4.8	-5.0
200 & over	13,742	7.5	12,703	7.5	-1,039	7.6	-7.6
Total	\$184,145	100.0%	\$-170,462	100.0%	\$-13,683	100.0%	-7.4

Office of the Secretary of the Treasury  
Office of Tax Analysis

October 15, 19

1/ Excludes IRA provisions.

Note: Details may not add to totals due to rounding.

# Capital Gains, Minimum Tax Change, and All Other Tax Changes

## Individual Income Tax Provisions of the Conference Bill

(1978 Levels of Income)

Expanded income class  (\$000)	: Capital gains and :		All other :		: Total tax changes :	
	: <u>minimum tax changes</u> :		<u>tax changes 1/</u> :		<u>:</u>	
	: Amount :	Percentage :	Amount :	Percentage :	: Amount :	Percentage :
	: distribution:		: distribution:		: distribution:	
	(\$ mil.) ( percent )		(\$ mil.) ( percent )		(\$ mil.) ( percent )	
Less than 5	-7	0.8%	-215	1.9%	-222	1.6%
5 - 10	-17	1.3	-1,560	13.9	-1,577	11.5
10 - 15	-50	2.9	-1,033	9.2	-1,083	7.9
15 - 20	-85	5.5	-1,503	13.4	-1,588	11.6
20 - 30	-237	9.7	-2,900	25.9	-3,137	22.9
30 - 50	-388	11.5	-2,340	20.9	-2,728	19.9
50 - 100	-488	19.7	-1,162	10.4	-1,650	12.1
100 - 200	-309	12.5	-348	3.1	-657	4.8
200 and over	-897	36.2	-142	1.3	-1,039	7.6
Total	-2,481	100.0%	\$-11,202	100.0%	\$-13,683	100.0%

Office of the Secretary of the Treasury  
Office of Tax Analysis

October 15, 1978

1/ Excludes IRA provisions.

Note: Details may not add to totals due to rounding.

**Distribution of Individual Income Tax Proposals in Conference Tax Bill**  
(1978 Levels of Income)

(\$ millions)

Expanded income class	Minimum : tax and : capital : gains : proposals	Repeal : gas : tax : deduction	Political : contribu- : tions	Repeal : General : tax : credit	\$1,000 : personal : exemption	\$2,300/ \$3,400 : standard : deduction	Earned income credit		Expanded	Technical : change	Personal : service : income	Grand- : parenting : of child : care	Tip : income : reporting	Tax : unemploy- : ment : compensa-	Tax : rate : change	Total : individual : changes 1/
							Tax	Outlay	Tax	Outlay		credit		tion		
(\$000)																
Less than 5	-7	1	-1	211	-226	-66	--	-110	-1	-9	--	*	-1	*	-14	-222
5 - 10	-17	26	-2	1,584	-1,400	-321	-295	-645	-3	-4	--	-4	-6	*	-489	-1,577
10 - 15	-50	90	-4	2,202	-1,808	-314	*	-4	--	--	--	-7	-8	6	-1,185	-1,083
15 - 20	-85	150	-4	2,081	-1,988	-271	--	--	--	--	--	-8	-9	8	-1,462	-1,588
20 - 30	-237	327	-7	2,374	-2,944	-270	--	--	--	--	--	-11	-12	105	-2,461	-3,137
30 - 50	-388	276	-4	1,070	-1,831	-75	--	--	--	--	--	-3	-7	103	-1,868	-2,728
50 - 100	-488	80	*	260	-637	-12	--	--	--	--	-1	-1	-2	17	-865	-1,650
100 - 200	-309	17	1	52	-151	-1	--	--	--	--	-10	*	*	6	-261	-657
200 and over	-897	5	1	13	-40	-*	--	--	--	--	-38	*	*	1	-84	-1,039
Total	-2,481	974	-20	9,846	-11,025	-1,331	-295	-759	-4	-13	-49	-34	-45	246	-8,690	-13,683

Office of the Secretary of the Treasury  
Office of Tax Analysis

October 15, 1978

1/ Includes earned income credit outlays. Excludes technical changes in IRA's and IRA pension plan changes.

Note: Details may not add to totals due to rounding.

78PLCONFERENCE 81000 EXEM ZBA RATES III ETC

TAX SCHEDULES

PAGE 7

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SCHEDULE I. (A) SINGLE TAXPAYERS WHO DO NOT QUALIFY FOR RATES IN SCHEDULES II AND III.

IF THE AMOUNT OF TAXABLE INCOME IS		THEN AS TAX BEFORE CREDIT		IF THE AMOUNT OF TAXABLE INCOME IS		THEN AS TAX BEFORE CREDIT	
OVER--	BUT NOT OVER--	ENTER	OF EXCESS OVER--	OVER--	BUT NOT OVER--	ENTER	OF EXCESS OVER--
\$ 2300. -	\$ 3400. ....	0.	PLUS 14.0 PCT - \$ 2300.	\$ 18200. -	\$ 23500. ....	3565.	PLUS 34.0 PCT - \$ 18200.
\$ 3400. -	\$ 4400. ....	154.	PLUS 14.0 PCT - \$ 3400.	\$ 23500. -	\$ 28800. ....	5367.	PLUS 39.0 PCT - \$ 23500.
\$ 4400. -	\$ 6500. ....	314.	PLUS 18.0 PCT - \$ 4400.	\$ 28800. -	\$ 34100. ....	7434.	PLUS 44.0 PCT - \$ 28800.
\$ 6500. -	\$ 8500. ....	692.	PLUS 19.0 PCT - \$ 6500.	\$ 34100. -	\$ 41500. ....	9766.	PLUS 49.0 PCT - \$ 34100.
\$ 8500. -	\$ 10800. ....	1072.	PLUS 21.0 PCT - \$ 8500.	\$ 41500. -	\$ 55300. ....	13392.	PLUS 55.0 PCT - \$ 41500.
\$ 10800. -	\$ 12900. ....	1555.	PLUS 24.0 PCT - \$ 10800.	\$ 55300. -	\$ 81800. ....	20982.	PLUS 63.0 PCT - \$ 55300.
\$ 12900. -	\$ 15000. ....	2059.	PLUS 26.0 PCT - \$ 12900.	\$ 81800. -	\$ 108300. ....	37677.	PLUS 68.0 PCT - \$ 81800.
\$ 15000. -	\$ 18200. ....	2605.	PLUS 30.0 PCT - \$ 15000.	\$ 108300. ....		55697.	PLUS 70.0 PCT - \$ 108300.

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SCHEDULE II. (A) MARRIED TAXPAYERS FILING JOINT RETURNS, (B) CERTAIN WIDOWS AND WIDOWERS, AND (C) MARRIED PERSONS FILING SEPARATE RETURNS (APPLIED AT 1/2 THE INTERVALS).

IF THE AMOUNT OF TAXABLE INCOME IS		THEN AS TAX BEFORE CREDIT		IF THE AMOUNT OF TAXABLE INCOME IS		THEN AS TAX BEFORE CREDIT	
OVER--	BUT NOT OVER--	ENTER	OF EXCESS OVER--	OVER--	BUT NOT OVER--	ENTER	OF EXCESS OVER--
\$ 3400. -	\$ 5500. ....	0.	PLUS 14.0 PCT - \$ 3400.	\$ 35200. -	\$ 45800. ....	8162.	PLUS 43.0 PCT - \$ 35200.
\$ 5500. -	\$ 7600. ....	294.	PLUS 16.0 PCT - \$ 5500.	\$ 45800. -	\$ 60000. ....	12720.	PLUS 49.0 PCT - \$ 45800.
\$ 7600. -	\$ 11900. ....	630.	PLUS 18.0 PCT - \$ 7600.	\$ 60000. -	\$ 85600. ....	19678.	PLUS 54.0 PCT - \$ 60000.
\$ 11900. -	\$ 16000. ....	1404.	PLUS 21.0 PCT - \$ 11900.	\$ 85600. -	\$ 109400. ....	33502.	PLUS 59.0 PCT - \$ 85600.
\$ 16000. -	\$ 20200. ....	2265.	PLUS 24.0 PCT - \$ 16000.	\$ 109400. -	\$ 162400. ....	47544.	PLUS 64.0 PCT - \$ 109400.
\$ 20200. -	\$ 24600. ....	3273.	PLUS 28.0 PCT - \$ 20200.	\$ 162400. -	\$ 215400. ....	81464.	PLUS 68.0 PCT - \$ 162400.
\$ 24600. -	\$ 29900. ....	4505.	PLUS 32.0 PCT - \$ 24600.	\$ 215400. ....		8117504.	PLUS 70.0 PCT - \$ 215400.
\$ 29900. -	\$ 35200. ....	6201.	PLUS 37.0 PCT - \$ 29900.				

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SCHEDULE III. UNMARRIED (OR LEGALLY SEPARATED) TAXPAYERS WHO QUALIFY AS HEAD OF HOUSEHOLD.

IF THE AMOUNT OF TAXABLE INCOME IS		THEN AS TAX BEFORE CREDIT		IF THE AMOUNT OF TAXABLE INCOME IS		THEN AS TAX BEFORE CREDIT	
OVER--	BUT NOT OVER--	ENTER	OF EXCESS OVER--	OVER--	BUT NOT OVER--	ENTER	OF EXCESS OVER--
\$ 2300. -	\$ 4400. ....	0.	PLUS 14.0 PCT - \$ 2300.	\$ 28800. -	\$ 34100. ....	6859.	PLUS 42.0 PCT - \$ 28800.
\$ 4400. -	\$ 6500. ....	294.	PLUS 16.0 PCT - \$ 4400.	\$ 34100. -	\$ 44700. ....	9085.	PLUS 46.0 PCT - \$ 34100.
\$ 6500. -	\$ 8700. ....	630.	PLUS 18.0 PCT - \$ 6500.	\$ 44700. -	\$ 60600. ....	13961.	PLUS 54.0 PCT - \$ 44700.
\$ 8700. -	\$ 11800. ....	1026.	PLUS 22.0 PCT - \$ 8700.	\$ 60600. -	\$ 81800. ....	22547.	PLUS 59.0 PCT - \$ 60600.
\$ 11800. -	\$ 15000. ....	1708.	PLUS 24.0 PCT - \$ 11800.	\$ 81800. -	\$ 108300. ....	35055.	PLUS 63.0 PCT - \$ 81800.
\$ 15000. -	\$ 18200. ....	2476.	PLUS 26.0 PCT - \$ 15000.	\$ 108300. -	\$ 161300. ....	51750.	PLUS 68.0 PCT - \$ 108300.
\$ 18200. -	\$ 23500. ....	3308.	PLUS 31.0 PCT - \$ 18200.	\$ 161300. ....		87790.	PLUS 70.0 PCT - \$ 161300.
\$ 23500. -	\$ 28800. ....	4951.	PLUS 36.0 PCT - \$ 23500.				

# Distribution of Conference Committee Minimum Tax and Capital Gains Proposals Affecting Individuals

(1978 Levels of Income)

Expanded income class	Repeal alter- nate tax	Delete gains from maximum tax	Delete gains from minimum tax	60 percent capital gains exclusion	Delete itemized deduction: preference from minimum and maximum taxes	Alterna- tive tax on capital gains and excess: itemized deduc- tions	Personal residences \$100,000: ratio- type exclusion: age 55 or older	18-month rollover rule	Repeal minimum tax on IDC's	Total tax change <sup>1/</sup> Amount	Distribu- tion
(\$000)	(.....)	(.....)	(.....)	(.....)	(.....)	(.....)	(.....)	(.....)	(.....)	(.....)	(percent)
0 - 5	--	--	-6	-*	-1	2	-2	-*	-*	-7	0.3%
5 - 10	--	--	-*	-11	-*	*	-6	-*	-*	-17	0.7
10 - 15	--	--	-*	-25	-*	*	-25	-*	-*	-50	2.0
15 - 20	--	--	-3	-47	-*	*	-35	-*	-*	-85	3.4
20 - 30	--	--	-14	-99	-*	2	-124	-2	-*	-237	9.6
30 - 50	*	--	-66	-184	-2	13	-147	-2	-*	-388	15.6
50 - 100	14	-2	-225	-296	-4	50	-25	-*	-*	-488	19.7
100 - 200	55	-14	-208	-249	-11	134	-9	-*	-7	-309	12.5
200 and over	<u>55</u>	<u>-32</u>	<u>-636</u>	<u>-727</u>	<u>-53</u>	<u>543</u>	<u>-4</u>	<u>-*</u>	<u>-43</u>	<u>-897</u>	<u>36.2</u>
Total	\$124	\$-47	\$-1,158	\$-1,640	\$-73	\$745	\$-377	\$-4	\$-51	\$-2,481	100.0%

Office of the Secretary of the Treasury  
Office of Tax Analysis

October 15, 1978

\*Less than \$500,000.

Note: Details may not add to totals due to rounding.

1/ Exemption from minimum tax for certain charitable transfers is not included.

**Income Tax Burdens under Present Law and Conference Committee Bill for Various Family Sizes 1/**

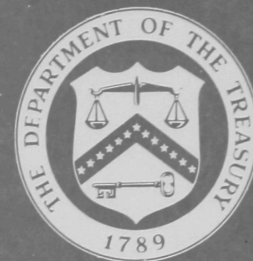
**(dollars)**

Wage- income	Single Person			Married Couple with No Dependents			Married Couple with Two Dependents		
	Present law tax	Conference Committee bill	Change in tax	Present law tax	Conference Committee bill	Change in tax	Present law tax	Conference Committee bill	Change in tax
5,000	278	250	-28	0	0	0	-300	-500	-200
10,000	1,199	1,177	-22	761	702	-59	446	374	-72
15,000	2,126	2,047	-79	1,651	1,624	-26	1,330	1,233	-97
20,000	3,231	3,115	-116	2,555	2,457	-98	2,180	2,013	-167
25,000	4,510	4,364	-146	3,570	3,399	-171	3,150	2,901	-249
30,000	5,950	5,718	-232	4,712	4,477	-235	4,232	3,917	-315
40,000	9,232	8,886	-346	7,427	7,052	-375	6,848	6,312	-536
50,000	12,985	12,559	-426	10,610	10,183	-427	9,950	9,323	-627
100,000	32,235	31,792	-443	29,630	28,878	-752	28,880	27,878	-1,002

Office of the Secretary of the Treasury  
Office of Tax Analysis

October 15, 1978

1/ Calculations assume deductible expenses equal to 23 percent of income.



FOR RELEASE AT 4:00 P.M.

October 17, 1978

**TREASURY'S WEEKLY BILL OFFERING**

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately \$5,700 million, to be issued October 26, 1978. This offering will not provide new cash for the Treasury as the maturing bills are outstanding in the amount of \$5,710 million. The two series offered are as follows:

91-day bills (to maturity date) for approximately \$2,300 million, representing an additional amount of bills dated July 27, 1978, and to mature January 25, 1979 (CUSIP No. 912793 W5 1), originally issued in the amount of \$3,503 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately \$3,400 million to be dated October 26, 1978, and to mature April 26, 1979 (CUSIP No. 912793 Y2 6).

Both series of bills will be issued for cash and in exchange for Treasury bills maturing October 26, 1978. Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold \$3,023 million of the maturing bills. These accounts may exchange bills they hold for the bills now being offered at the weighted average prices of accepted competitive 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, both series of bills will be issued entirely in book-entry form in a minimum amount of \$10,000 and in any higher \$5,000 multiple, 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 Daylight Saving time, Monday, October 23, 1978. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) 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 in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders 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 on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

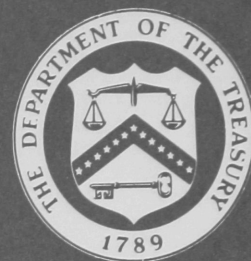
No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, or for bills issued in bearer form, where authorized. A deposit 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. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action 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 weighted average price (in three decimals) of accepted competitive bids for the respective issues.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, and bills issued in bearer form must be made or completed at the Federal Reserve Bank or Branch or at the Bureau of the Public Debt on October 26, 1978, in cash or other immediately available funds or in Treasury bills maturing October 26, 1978. Cash adjustments will be made for differences between the par value of the 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 these bills 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 these bills (other than life insurance companies) must include in his or her 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 Circulars, No. 418 (current revision), 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.



FOR RELEASE AT 4:00 P.M.

October 17, 1978

**TREASURY TO AUCTION \$3,250 MILLION OF 2-YEAR NOTES**

The Department of the Treasury will auction \$3,250 million of 2-year notes to refund \$2,718 million of notes maturing October 31, 1978, and to raise \$532 million new cash. The \$2,718 million of maturing notes are those held by the public, including \$705 million currently held by Federal Reserve Banks as agents for foreign and international monetary authorities.

In addition to the public holdings, Government accounts and Federal Reserve Banks, for their own accounts, hold \$203 million of the maturing securities that may be refunded by issuing additional amounts of the new notes at the average price of accepted competitive tenders. Additional amounts of the new securities may also be issued at the average price, for new cash only, to Federal Reserve Banks as agents for foreign and international monetary authorities.

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

oOo

Attachment

B-1217

B-1216 see after B-1207

(over)

HIGHLIGHTS OF TREASURY  
OFFERING TO THE PUBLIC  
OF 2-YEAR NOTES  
TO BE ISSUED OCTOBER 31, 1978

October 17, 1978

Amount Offered:

To the public..... \$3,250 million

Description of Security:

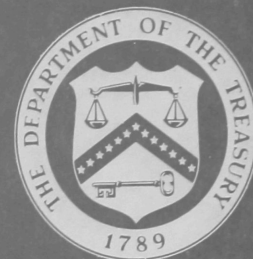
Term and type of security..... 2-year notes  
Series and CUSIP designation..... Series U-1980  
(CUSIP No. 912827 JC 7)  
  
Maturity date..... October 31, 1980  
Call date..... No provision  
Interest coupon rate..... To be determined based on  
the average of accepted bids  
  
Investment yield..... To be determined at auction  
Premium or discount..... To be determined after auction  
Interest payment dates..... 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  
\$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, October 24, 1978,  
by 1:30 p.m., EDST  
  
Settlement date (final payment due)  
a) cash or Federal funds..... Tuesday, October 31, 1978  
b) check drawn on bank  
within FRB district where  
submitted..... Friday, October 27, 1978  
c) check drawn on bank outside  
FRB district where  
submitted..... Thursday, October 26, 1978  
  
Delivery date for coupon securities. Friday, November 3, 1978



FOR IMMEDIATE RELEASE  
October 17, 1978

Contact: Robert E. Nipp  
202/566-5328

**TREASURY ANNOUNCES RESULTS  
OF GOLD AUCTION**

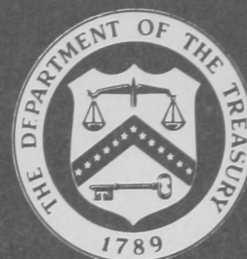
The Department of the Treasury announced that 300,000 ounces of fine gold were sold today to 9 successful bidders at prices from \$228.11 to \$229.25 per ounce, yielding an average price of \$228.39 per ounce.

Gross proceeds from this sale were \$68.5 million. Of the proceeds, \$12.7 million will be used to retire Gold Certificates held by Federal Reserve banks. The remaining \$55.8 million will be deposited into the Treasury as a miscellaneous receipt.

These sales were made as the sixth in a series of monthly auctions being conducted by the General Services Administration on behalf of the Department of the Treasury. The next auction, at which 750,000 ounces will be offered, will be held on November 21.

A total of 62 bids were submitted by 16 bidders for a total amount of 818,800 ounces at prices ranging from \$162.50 to \$229.25 per ounce.

The General Services Administration will release additional information, including the list of successful bidders and the amounts of gold awarded to each, after those bidders have been notified that their bids have been accepted.

RELEASE ON DELIVERY

Expected at 11 a.m.  
October 18, 1978

REMARKS BY THE HONORABLE  
BETTE B. ANDERSON  
UNDER SECRETARY OF THE TREASURY  
TO THE  
NATIONAL BANKERS ASSOCIATION  
51st ANNUAL CONVENTION  
CENTURY PLAZA HOTEL  
LOS ANGELES, CALIFORNIA

Mr. President, Members of the NBA Board, Ladies and Gentlemen:

Thank you for asking me to participate in your annual convention. I was very honored and pleased to accept the invitation to speak at your opening session because there are a number of things I would like to talk with you about. I know you have questions to ask me.

First, may I say that your President, Bob James, has been very successful in bringing your interests to the attention of this Administration. His diligent leadership over the past year has assured that your problems and concerns have penetrated to the highest levels of our government. I have known Bob for many years. We are both from Savannah. I have always known him to be a conscientious and forward-looking individual. He and I have communicated many times over the past year about the Minority Bank Deposit Program and the Federal effort on behalf of minority banks. He has represented you well in Washington.

We are looking forward to establishing a close working relationship with your President-elect, George Brokmond, and with your Executive Director, Tommy Goines. Secretary Blumenthal and I will be meeting with your leadership at the Treasury during the first week of November. We had hoped to meet with Bob and George last week, but unfortunately the final blows over the tax bill consumed the Secretary's time.

I am glad to be here because the Carter Administration heartily endorses and strongly supports the minority bank deposit program. All of us will continue to work hard to make this program more meaningful for you and for our country. It is an important part of our broader effort to foster the full participation of all Americans in our free enterprise system. The Executive Order on which the minority bank program is based rightly states that full participation by "socially and economically disadvantaged persons is essential if we are to obtain social and economic justice . . . and improve the functioning of our national economy."

Let me assure you that a good deal of groundwork has been laid this year

for increasing the level of Federal deposits in minority banks and for assisting you in the areas of management, training and capitalization. I will review for you some of the work that Treasury has been doing on your behalf.

The President, as you know, met with members of the minority banking community in the White House in April, 1977, and reiterated his support of the Federal effort to aid minority business enterprise. He reaffirmed a goal of \$100 million in Federal deposits in minority banks by the end of 1977. On December 31, 1977, approximately \$127 million of Federally-controlled funds was on deposit with minority banks. The level of deposits and the number of banks participating in the program have continued to grow. In that respect, we believe the program has demonstrated some success. As of June 30, 1978, the level of deposits had reached approximately \$145 million. The number of banks has grown from 31 in 1970 to 97.

Now when I speak of "level of deposits," I refer to those Federal monies which remain in minority banks for more than 24 hours. Some of that \$145 million -- about 19 percent -- represents investment funds. The remainder is composed of grant, contract and Federally controlled time and demand accounts. Treasury tax and loan account balances amounted, as of June 30, 1978 to an additional \$145 million average daily balance. Flowing through Treasury general account are deposits, such as those of the IRS and Customs, which provide approximately \$500 million on a monthly basis in minority banks. As you can recognize, then, there is more than \$145 million Federal money flowing through minority banks on a daily basis.

Most of you know that Secretary Blumenthal established a Treasury Policy Review Committee on Minority Banks. That Committee received recommendations last Fall from NBA and held a number of meetings with various Federal agencies. One of the issues before that Committee was the effect of the cash management guidelines upon the minority bank deposit program.

As taxpayers, I know you all favor reducing the cost of government. That, of course, involves adherence to good cash management principles. Treasury, nevertheless, has been seeking creative ways to assure that your banks will continue to receive ever-increasing levels of Federal deposits. As you probably know, both OMB and the General Accounting Office, an arm of the Congress, scrutinize very carefully the costs of all services to the government -- including banking costs.

Under Fiscal Assistant Secretary Paul Taylor's guidance, the Treasury Banking Staff works daily to alleviate some of the problems you have experienced in handling Federal deposits, particularly problems related to deposits which flow through Treasury general accounts. Despite what may appear to be obstacles raised by the cash management principles, Treasury has worked out methods whereby, as of June 30, thirty-three minority banks were servicing Treasury General Accounts and several more have been added since. Arrangements have been worked out whereby correspondent bank relationships are utilized to the maximum in order to permit minority banks to handle Treasury deposits they would not otherwise be able to manage.

I believe we should continue to stretch our imaginations to help you deal with problems even before they arise.

After the Policy Review Committee submitted its recommendations to Secretary Blumenthal, and he approved them, Treasury forwarded those recommendations to the Interagency Council for implementation by all the agencies. As you know, the bank deposit program is not a Treasury program, but

an Administration program, carried out government-wide by all agencies and monitored by Treasury for the Interagency Council and the Commerce Department.

One of the recommendations was that all agencies set goals for minority bank deposits. I speak in terms of "goals," not "quotas." The President, after the Bakke decision which struck down quota-setting as unconstitutional, called upon Federal agencies to concentrate more effort on affirmative action programs. The minority bank deposit program is an affirmative action program, and Treasury intends to follow the President's mandate to make every effort to make the program more effective.

Treasury, meanwhile, has already begun to see the results of implementing the Policy Review Committee recommendations. One recommendation which has been carried out with much success was that Secretary Blumenthal write to Fortune 1300 to urge those large companies to wire-transfer their tax deposits to minority banks as opposed to depositing checks drawn on non-minority banks. The Secretary noted in his letter to the companies that the bank-wire method of transferring funds greatly enhances the benefits derived from tax payments for the minority banks. Of the responses received thus far, 75 percent of the firms indicated that they are currently using minority banks and either are, or will consider, wire-transferring their tax deposits.

We hope that all agency heads will follow this recommendation and contact individually the private sector firms with which their agencies deal. The private sector will respond. Just recently I referred a call from a large insurance company to NBA. The company wanted the names of some minority banks in which to deposit funds.

We are prepared to help you in marketing your services to Federal agencies. Many of you are already familiar with the booklets entitled "Information on Federal Agencies and Grantees by Geographic Area" which Treasury prepared for your use. These booklets identified Federal monies flowing into each bank's service area by agency and by grant recipient. Contact sources and marketing information on each of 24 Federal agencies were also included. These booklets were discussed and distributed to you at last year's convention in Houston. Mr. Gordon Studebaker, who prepared the booklets for Treasury, then visited a sampling of banks to determine if the booklets were being used.

Although some of the information may need to be updated by now, I do believe they contain a wealth of information that would be very valuable if you could take the time to study them. The booklets contain over 25,000 marketing leads in an amount close to \$70 billion. I am sure that the Interagency Council staff, as well as the Treasury Banking staff, would be happy to discuss the booklets with you. Rita Howard, of Treasury's Banking Staff, is here today. She has worked closely with many of you, and I am sure she would very much appreciate any comments you may have about the utility of the marketing booklets. We need your feedback so we may be of help to you.

Treasury has also worked out a plan to soften the impact of the implementation of Public Law 95-147, which authorized the Treasury to invest its operating cash in obligations of depositaries maintaining Treasury tax and loan accounts. We have received Congressional approval to place a special demand deposit with each bank participating in the Government's minority bank deposit program. We intend to place these balances at approximately the same time the investment authority is implemented -- November 2. Most of you are aware that the implementation date was delayed because Treasury did not receive the necessary appropriation to pay the fees until the end of September. It is

estimated that at least \$36.2 million will be placed with the minority banks during the first year.

Most of you have already received notification from the Treasury of how the demand deposits will work. If you have any questions, I am sure that the members of the Banking Staff here at the convention will be happy to answer them.

In addition to the activity going on in Main Treasury on your behalf, the Comptroller of the Currency, John Heimann, with Secretary Blumenthal's concurrence, has been working closely with the Interagency Council staff at Commerce on a Minority Bank Development Program. Mr. Heimann's special assistants, Roberta Brooks and George Cincotta, and other members of his staff, have worked for many months, touching base with many of you, to devise a program to be funded by Commerce and the three Federal bank regulatory agencies.

Mr. Heimann will tell you much more about the program when he speaks. I believe you will find the concepts exciting, and I hope you will give the Comptroller the benefit of your thoughts as he outlines what is planned regarding capital support, management and training assistance. We all recognize that these three elements are at the core of any effort to make minority banks stable and competitive.

While we are pleased with the progress that I have just outlined -- and I hope you are -- we are not totally satisfied and do not plan to rest on our laurels. One of Treasury's recommendations forwarded to the IAC was that OMB be requested to include on forms already required of grantees a question about their utilization of minority banks. This information would be invaluable in targeting your solicitation of business. The IAC staff is working with OMB now on that proposal. We continue to work closely with IAC and OMB to follow through on this recommendation.

The Secretary and the White House receive status reports on the program. They are monitoring it carefully. Some agencies are now in the process of working out methods which will fit their particular needs and which will allow them to utilize minority banks more readily. I know that some of you read about the placement of CETA funds by the Labor Department into minority banks. HEW is also working on plans to place more Medicare funds in minority banks.

In the long run, however, there is only so much that Treasury and the Federal government can do. Government funds are volatile, at best. Investment deposits and long-term deposit relationships are better sought in the private sector. That is why the Secretary has been encouraging large companies to seek out minority banks. That is why Johnny Heimann has been working on a plan that is private-sector oriented.

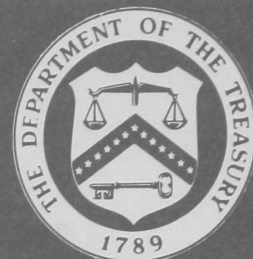
I know and understand your frustrations. I share some of them. I was a banker for 27 years, and I am accustomed to making things move. With the help of all of you, and with the assistance of the newly formed IAC staff under the capable leadership of Bob Kemp at Commerce, with the support of Mr. Louis Martin at the White House, I believe we can come up with some solutions that can be measured not just in deposit levels, but in stability and prosperity for you, your banks and your community.

We need your feedback and suggestions, as I have said before. While we are eager to help you with your specific problems, we must rely upon you to tell us in practical ways what would help you most. We also need for you to

have a realistic understanding of just what is involved in handling government funds as opposed to private-sector funds. I am looking forward to building upon the groundwork already laid. It is a good foundation for real progress. We need your cooperation to make that progress.

Thank you again for the opportunity to be here. I will be happy to answer any questions you may have.

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FOR IMMEDIATE RELEASE

October 19, 1978

Expected at 9:00 A.M.

REMARKS BY THE HONORABLE ANTHONY M. SOLOMON  
UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS  
BEFORE THE  
PUBLIC SECURITIES ASSOCIATION  
MARCO ISLAND, FLORIDA

I am pleased to have this opportunity to talk with you about the management of the public debt. I will also comment on the Treasury's concerns with futures contracts based on Treasury securities. Then, I would like to share some thoughts with you on recent international developments.

Debt Management

It is certainly obvious to all of you that Treasury financing demands have had a major impact on the credit markets in recent years. In the fiscal years 1977 and 1978 alone the net borrowing requirement of the Treasury amounted to about \$113 billion. Of that amount, the Treasury raised about \$84 billion of new cash through financing in the credit markets. The bulk of this financing was conducted in a period of rising interest rates.

In managing such a large financing task, this Administration has benefitted greatly from the debt management policies which evolved in recent years, and we have tried to adhere to three basic principles in our debt management decisions:

First, to raise the money required to meet the Government's financing requirements in the most efficient manner possible.

Second, to conduct our borrowing in a way that fosters, rather than inhibits, economic stability and sustained growth of the economy.

Third, to work toward a balanced maturity structure, in order to facilitate the orderly managing of the debt in future years.

Consistent with these principles, we have financed our requirement over the past two years primarily by regular auctions of coupon securities and a gradual shift toward longer-term financing.

The regularized offering cycles of notes and bonds have made a vital contribution to the successful efforts of the Treasury in meeting our large financing needs. These cycles provided the Treasury with regular access to the various maturity sectors of the market, and allowed investors to plan on these predictable offerings for their investment needs. We think that regularization has encouraged broader investor participation in the Government securities market and has contributed to price stability through a reduction of market uncertainty concerning our financing plans. We anticipate that the cycle offering approach will continue as an integral part of our debt management strategy.

Another marketing device that has facilitated the efficient issuance of Treasury coupon securities has been the auction technique. By allowing investors and speculators to determine the price of regular, moderately-sized issues of Treasury securities at competitive auction, we have minimized financing costs and reduced the underwriting pressures on primary dealer organizations.

Under this Administration, the Treasury has emphasized debt extension as a primary objective of debt management, a policy which we believe to be fundamentally sound. During the last two fiscal years, Treasury's market borrowing via coupon securities totaled \$84.8 billion, while, at the same time, there was a slight paydown in Treasury bills. Thus, we have avoided adding to the liquidity of the economy at a time when excessive liquidity is being transmitted into increasing prices.

This policy of debt extension has also caused a significant increase in the average maturity of the debt, reversing a prolonged slide which extended over more than 10 years. In mid-1965, the average maturity of the privately-held marketable debt was 5 years, 9 months. By January 1976, it had declined to 2 years, 5 months, because huge amounts of new cash were raised in the bill market and in short-term coupon securities. Since that time, despite the continuing large needs for cash of the Federal Government, Treasury has succeeded in lengthening the debt to 3 years, 3 months currently.

Debt extension has been accomplished primarily through continued and enlarged offerings of long-term bonds in our mid-quarterly refundings. In this Administration's first refunding, in February 1977, Treasury offered \$750 million of 30-year bonds. In our most recent mid-quarterly financing, Treasury offered \$1.5 billion of 30 year bonds. The market's acceptance of Treasury bonds had developed rapidly; and the importance of the longer maturity area has been recognized by Congress by providing additional bond authority, which should be sufficient until next spring.

We have also used this new bond authority in the 15-year area, beginning in June 1977 when the Treasury offered \$1.5 billion of 15-year bonds. This offering was substituted for a 5-year cycle note and thus represented an interruption in the pattern of 5-year note offerings which was initiated in January 1976. From June 1977 to June of this year, we alternated between 15-year and 5-year offerings on a quarterly basis.

In September, the Treasury offered \$1.5 billion of 15-year bonds at a time when market participants might have expected an offering of 5-year notes. In addition to the fundamental objective of accomplishing further debt extension, there were two immediate reasons for this decision. First, our very large cash balance rendered unnecessary the additional cash-raising potential of the 5-year note. Second, market conditions at the time of the decision were particularly favorable for a 15-year bond issue. There had been a significant decline in long-term rates in the several weeks prior to the offering announcement, which reflected strong investor demand coupled with an absence of a meaningful supply of longer-dated securities.

It perhaps would be premature to conclude that the recent 15-year bond offering necessarily indicates a shift to a quarterly cycle with this maturity. As our market borrowing needs subside, however, as we continue to move toward smaller budget deficits, the likelihood of such a quarterly cycle is greatly enhanced.

As I mentioned earlier, we are aiming at a more balanced maturity structure in order to facilitate efficient debt management in the future. In this regard, we are aware of a tendency toward some unevenness in our maturity structure for coupon issues. In 1979, for example, the total amount of privately-held coupon obligations maturing in the second quarter is \$9.1 billion, as compared to \$19.3 billion maturing in the fourth quarter. This imbalance has arisen partly because

of the seasonality of tax receipts combined with our policy of regularized coupon offering cycles. On the one hand, tax collection dates in April and June have reduced Treasury's borrowing requirements or even permitted us to pay down marketable debt in the second quarter. Our coupon issues maturing in that quarter, therefore, have merely been rolled over. On the other hand, our borrowing requirement in other quarters has caused enlarged coupon offerings in those periods.

This situation suggests an increasing use of longer-dated cash management bills. The sale of cash management bills in the fourth and first quarters, respectively, with maturities in the second calendar quarter would remove some of the burden on coupon offerings during the earlier quarters. This temporary financing could then be replaced by permanent financing through additions to coupon offerings in the second calendar quarter. This approach, which has often been used by Treasury in the past, acknowledges the large difference in the quarterly flow of tax receipts and represents an effort to distribute the maturity structure more evenly.

Let me conclude this part of my remarks by mentioning that on November 2, 1978, the Treasury will implement the Treasury Tax and Loan Investment Program. In May, the Department issued the regulations setting forth the provisions of the Program.

With the implementation of the Program, the Treasury will return to a cash management strategy aimed at maintaining a fairly constant balance at Federal Reserve Banks. This had been our practice prior to the fall of 1974. At that time, the constant Fed balance was being targeted at approximately \$2 billion, and the swings in the total cash balances were absorbed by the tax and loan balances. An average of about 20% of the Treasury's operating cash was held in Federal Reserve Banks and an average of about 80% was held in the tax and loan accounts. Since 1974, that proportion has just about reversed. During the initial stages of the new Program, we will move gradually toward reducing our balances at Federal Reserve Banks and increasing our investments in obligations of depositaries.

A significant market effect of the Program is that it will reduce the sudden large changes in Treasury balances with the Federal Reserve Banks, and there will be a corresponding reduction in the need for offsetting open market operations by the Fed.

## Futures Market

I would like to turn now to a number of concerns that the Treasury has with respect to futures markets which are based on Treasury securities.

I am sure you are all familiar with the explosive growth in these markets over the past two years.

Futures trading based on Treasury securities began in January 1976 with futures contracts for 13-week Treasury bills on the International Monetary Market (IMM) of the Chicago Mercantile Exchange. Then, trading in Treasury bond futures began in August 1977 on the Chicago Board of Trade. More recently, in September 1978, futures trading began in 1-year Treasury bills on the IMM. Also, a number of new proposals are now being considered by the Commodity Futures Trading Commission for additional futures contracts based on Treasury debt instruments.

I think it is fair to say that the volume of trading in the Treasury bill futures market and the proliferation of new futures contract proposals based on Treasury securities are much greater than anyone anticipated when Congress first authorized futures trading based on financial instruments in an amendment to the Commodity Exchange Act in 1974.

Current Congressional concern about this explosion in financial futures is expressed in Public Law 95-405, which amended the Commodity Exchange Act and was signed by President Carter on September 30, 1978. This new law requires the CFTC to submit to the Treasury Department any applications from a board of trade for designation as a contract market involving transactions for future delivery of any security issued or guaranteed by the United States or any agency thereof. The Act also requires the CFTC to consider the impact that such contract market designations might have on the "debt financing requirements of the United States Government and the continued efficiency and integrity of the underlying market for government securities."

The Treasury's concerns with futures contracts based on United States Government securities were discussed at length in connection with the Congressional hearings earlier this year on the bill just signed by the President. Today, I will just comment briefly on some of our concerns from the standpoint of Federal debt management policy.

The Treasury has not opposed the designation of contract markets involving Treasury bills. We have carefully monitored developments in the bill futures market since its establishment in 1976, and we have not seen any evidence that this market has benefitted the Treasury. However, we have not found sufficient cause to recommend suspension of trading in existing contracts or disapproval of new contract designations.

We have expressed a number of concerns, however, with respect to contract market designations involving Treasury coupon securities. Unlike Treasury bills, which are highly liquid short-term instruments and are actively traded throughout their lives, Treasury notes and bonds are longer-term securities which are typically put away in portfolio by permanent investors. Treasury relies on these investors to finance the major portion of the public debt. As these coupon securities are placed with them, there is a diminution of secondary market trading and in the availability of securities for delivery. We are concerned, therefore, that market prices on outstanding Treasury coupon securities, and thus prices on Treasury new issues, could be adversely affected by a large volume of trading in any futures contracts based on Treasury coupon securities.

Also, it is essential that the Treasury maintain the flexibility to finance the public debt at the lowest possible cost consistent with the fiscal requirements of the Government and the needs of the economy. In this regard, Treasury's flexibility could be reduced by the establishment of a futures market which is heavily dependent upon an expected new issue by the Treasury. Clearly, in establishing new markets for futures contracts in Treasury notes, it should not be assumed that the regular issuance of Treasury cycle notes will continue in its present pattern. As I mentioned earlier, just last month the Treasury substituted a 15-year bond issue for the usual 5-year cycle note. While many market participants had expected a 5-year note issue, we did not have to deal with an established futures market in 5-year notes, and we were able to accomplish this change on short notice with minimum market impact.

Treasury debt management flexibility could also be reduced by the existence of futures markets dependent upon the ready availability of outstanding Treasury coupon securities. For example, the Treasury has at times engaged in advance refundings of outstanding Treasury issues, and the Treasury also gave serious consideration recently to purchasing certain outstanding issues to relieve congestion in certain maturity areas of the market. Such debt management operations by the

Treasury could result in the unexpected withdrawal from the market of certain securities, or groups of securities, which constituted part or all of the anticipated deliverable supply in the futures market.

The Treasury would certainly welcome the establishment of futures markets in coupon securities if we felt that these markets would benefit Treasury financing. We are concerned, however, that these markets may do more harm than good from the standpoint of the efficient financing of the public debt.

I raise these concerns with the hope of encouraging your expert consideration of them. I know that many of you are active participants in the Treasury futures market and in the Treasury cash market as well. We would welcome any thoughts that you might have.

## Recent International Developments

I would like now to comment on international economic and financial developments which have an important bearing on the public securities markets in the United States.

The principal developments in the international financial area in the past two years have been the very substantial reduction in the OPEC current account surplus, and the emergence of major payments imbalances among the industrial countries leading to strong exchange market pressures as the foremost problem facing the international monetary system. My expectation is that the OPEC surplus will continue to decline and that it will not be a major disruptive factor next year. I also expect that we will see significant improvement in payments relationships among the industrial countries and increased monetary stability next year. Both of these developments would imply a reduction in foreign official purchases of U.S. Government securities in 1979.

The OPEC countries accumulated investible surpluses amounting to nearly \$180 billion during 1974 - 1977, an average of \$45 billion per year. This year, it is likely to be less than half the \$34 billion recorded in 1977, and may decline by as much as \$10 billion more next year in the absence of an oil price increase. As the OPEC surplus declines, management of OPEC's investment portfolio is becoming increasingly constrained by decisions and commitments made in earlier years, including bilateral and multilateral aid, and commitments to balance of payments financing through IMF arrangements such as the Supplementary Financing Facility which will take effect shortly. Such constraints have required a curtailment of OPEC's discretionary investments elsewhere, including the United States, which has traditionally accounted for some 20 - 30 percent of total OPEC placements. There was no significant increase in OPEC investment in the United States during the first half of 1978. In fact, there was a small decline in OPEC holdings of Treasury securities, although there were increases in other forms of U.S. assets. Preliminary evidence for the second quarter suggests no increase in OPEC's financial assets worldwide; there is no evidence of a shift by OPEC from dollar investments.

If our projections are in the right range, new OPEC discretionary investments in the United States -- or any other market -- are likely to be quite small.

The emergence in 1977 of a very large U.S. current account deficit, with attendant downward pressures on the dollar, and foreign intervention in an attempt to temper appreciation of certain currencies, has tended at times to create very large flows of foreign official capital into the U.S. Government securities market.

In the first quarter of this year, the dollar remained under heavy pressure in the foreign exchange market as the trade deficit mushroomed to an annual rate of \$45 billion, and as concern mounted about our ability to achieve a better balance in the face of rising inflation, extended Congressional debate on an energy program and continued divergence of growth rates here and abroad. Foreign exchange market intervention during the quarter led to further increases in foreign holdings of Treasury securities of some \$15 billion.

The situation changed sharply in the second quarter. With the trade and current deficits beginning to improve and the dollar showing signs of strength in the exchange markets, the direction of intervention was reversed and foreign holdings of Treasuries fell by some \$5 billion. We do not yet have a complete picture of the third quarter, but it appears that there was no appreciable change in foreign holdings of Treasury securities.

What are the prospects for the coming year? We have just gone through an intensive round of discussions at the IMF/IBRD annual meetings. There is quite clearly a convergence of views in the official financial community that a significant improvement in the international payments situation -- and particularly that of the United States -- is in prospect. This outlook is based in part on expectations about future policy moves here and abroad. But it is also based in substantial part on steps that have already been taken, and which are now beginning to yield concrete results.

First, we can anticipate a shift in the relative rates of growth of the United States and its major trading partners. Our growth rate next year should be at rates compatible with the expansion of productive activity. At the same time, growth rates in Europe and Japan will pick up somewhat under the impact of domestic stimulus measures. Whereas the U.S. growth rate has been well above the average growth of our major trading partners, in 1979 Europe and Japan should show more rapid growth than the U.S. for the first time since the 1975 global recession.

Second, the U.S. competitive position has improved sharply in terms of our major competitors as a consequence of exchange rate changes over the past 18 months. On a trade weighted, price adjusted basis, the U.S. competitive position has improved by some 5 - 10 percentage points since early last year in terms of our major trading partners.

These changes in growth rates and exchange rates are now beginning to affect trade flows, though the real effects continue to be obscured by the immediate price effects of exchange rate changes. Following a solid year of very rapid expansion, the volume of U.S. non-petroleum imports has been slightly down since February. And since about the beginning of the year, U.S. exports -- particularly non-agricultural but also agricultural exports -- have been moving up sharply.

The major effects of these changes in growth and exchange rates are still ahead of us. Thus, we expect further improvement in the U.S. trade position and a substantial reduction -- perhaps on the order of 30 - 40 percent -- in our current account deficit next year. This obviously is a welcome development, and will represent a major contribution to greater international financial stability. But as I mentioned earlier, part of the relatively positive outlook of the Finance Ministers at the IMF was based on expectations about future policy moves. And at this particular point, that largely means moves by the United States.

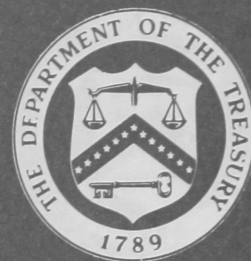
It is recognized abroad that a major part of the U.S. trade problem lies in the energy sector, and it is accepted that we are at last moving to deal with this problem. It is also recognized that the United States needs to exploit export opportunities more vigorously. Here too, we are embarking on a program to improve our performance.

But what is stressed uniformly is the critical need for the United States to come to grips with its inflation problem and -- more than any other factors I have mentioned -- our policies and performance in this area will determine the outlook for the international financial situation and the dollar.

The President will shortly announce a comprehensive new anti-inflationary program to supplement -- not substitute for -- broad fiscal and monetary restraint with direct measures in the wage and price area. As we have unequivocally indicated on many occasions, we have no intention of imposing wage-price controls. But we do need more rigorous and quantitative standards of behavior in the wage-price area, and the application of those standards will be very broad, with a minimum of exclusions. The wage-price standards are just one of a number of initiatives intended to bring more responsible management to Government in order to deal more effectively with the fundamental underpinnings of inflation.

Without dwelling on the program, I would emphasize that the Administration is determined to pursue a tight and effective fiscal policy. I am sure that you will agree that our efforts are being channeled in the right direction. In fiscal year 1976, the budget deficit was \$66 billion. Last year -- under the first budget proposed by President Carter -- the deficit was reduced by \$16 billion. For this fiscal year, we intend to cut the deficit by at least another \$10 billion. And it is the President's intent to make a further major cut in fiscal year 1980. Our budget policy is designed to reduce Government competition with the private sector for real and financial resources. This policy can only be accomplished by holding Federal expenditures to very little real growth during the next two years. We recognize that, among our anti-inflation efforts, we will be judged most importantly by our critics on this Administration's commitment to fiscal prudence.

On the basis of the policy measures in prospect and the already partly visible results of policies undertaken to date here and abroad, I believe there is a good prospect for a significant improvement in the international payments and financial situation -- and in the U.S. external position. In this framework, I would anticipate more stable patterns of private capital flows into the United States and, with greater exchange market order, less foreign official acquisitions of dollars in the exchange markets. Combined with very limited amounts of investible funds in OPEC hands, the prospect is, therefore, for substantially less foreign official interest in U.S. Government securities in the coming year.



FOR IMMEDIATE RELEASE  
October 19, 1978

Contact: Alvin M. Hattal  
202/566-8381

**TREASURY ANNOUNCES START OF ANTIDUMPING  
INVESTIGATION ON CERTAIN VEGETABLES FROM MEXICO**

The Treasury Department said today that it will begin an antidumping investigation of imports of certain fresh water vegetables from Mexico.

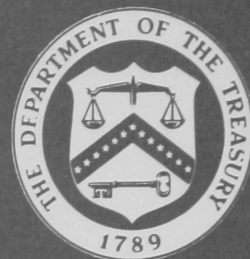
Treasury's announcement followed a summary investigation conducted by the U. S. Customs Service after receipt of a petition on behalf of the Southwest Florida Winter Vegetable Growers Association, the Palm Beach-Broward Farmers Committee for Legislative Action, Inc., and the South Florida Tomato and Vegetable Growers, Inc., alleging that fresh cucumbers, eggplant, peppers, squash and tomatoes (except cherry tomatoes) are being "dumped" in the United States. The investigation will be limited to the foregoing fresh vegetables shipped during the winter vegetable season.

The petition indicates that imports of those vegetables are being sold in the United States at "less than fair value." Because petitioners allege that there are not sufficient sales of that produce in Mexico to constitute a viable home market, prices of vegetables sold to a third country (Canada) were used as the basis of "fair value." In certain instances, sales to Canada were shown to be at prices below the cost of producing the same vegetables in Mexico; therefore, "fair value" was constructed by using available information on the cost of production in Mexico.

If sales at less than fair value are determined by Treasury, the U. S. International Trade Commission will subsequently decide whether there is injury, or the likelihood of injury, to a domestic industry. Both "sales at less than fair value" and "injury" must be determined before a dumping finding is reached.

Notice of the start of this investigation will appear in the Federal Register of October 19, 1978.

Imports of this merchandise from Mexico amount to approximately \$200 million annually, of which tomatoes account for 55-60 percent.



FOR IMMEDIATE RELEASE  
October 19, 1978

Contact: George G. Ross  
202/566-2356

**TREASURY ANNOUNCES PUBLIC MEETING TO DISCUSS  
USA-CANADA TAX TREATY ISSUES, ON December 13, 1978**

The Treasury Department today announced that it will hold a public meeting on December 13, 1978, to solicit the views of interested persons regarding issues being considered during negotiations to develop a new income tax treaty between the United States and Canada.

The public meeting will be held at the Treasury Department, at 2:00 p.m. Persons interested in attending are requested to give notice in writing by December 4, 1978, of their intention to attend. The room in which the meeting will be held will be announced after that date. Notices should be addressed to H. David Rosenbloom, International Tax Counsel, Department of the Treasury, Washington, D.C. 20220.

Today's announcement of the December public meeting follows the recent conclusion of a further round of negotiations between representatives of the United States and Canada to develop a new income tax treaty for the avoidance of double taxation and the prevention of tax evasion. The new treaty would replace the income tax treaty presently in effect, which was signed in 1942.

In the course of the recent negotiations, many subjects of mutual concern were identified and discussed. Among the major issues being considered are: the taxation of business income and income from personal services; the taxation of dividends, interest and royalties; the taxation of income from various forms of transportation; the taxation of capital gains, pensions, annuities, and income from the performance of government services; the treatment of the income of exempt organizations and contributions thereto; the allowance of foreign tax credits, particularly with respect to U.S. citizens resident in Canada; and nondiscrimination.

The Treasury seeks the views of interested persons in regard to these issues, as well as other matters that may have relevance in the context of an income tax treaty between the United States and Canada. The December 13 public meeting is being held to provide an opportunity for an exchange of views, as well as for the purpose of discussing the United States position in regard to the issues presented in the negotiations.

This announcement will appear in the Federal Register of Tuesday, October 24, 1978.

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THE SECRETARY OF THE TREASURY  
WASHINGTON 20220

October 19, 1978

Dear Mr. Chairman:

I am pleased to respond to the requests of August 28 and September 11, 1978, from your office for the views of the Treasury Department with respect to the six applications for contract market designations by the Commodity Futures Trading Commission (the "Commission") listed in the appendix to this letter.

For the reasons stated below, the Treasury strongly recommends that the Commission not designate contract markets as requested by these applications, or any subsequent applications, based on United States Government securities, pending the outcome of a study to be conducted jointly by the Board of Governors of the Federal Reserve System and the Treasury Department, in cooperation with you.

The Treasury's concerns with futures contracts based on Government securities were discussed at length in Deputy Secretary Carswell's letters of April 13, 1978, to the Chairman of the Senate Subcommittee on Agricultural Research and General Legislation and to the Chairman of the House Subcommittee on Conservation and Credit and in Under Secretary Solomon's letter to you of August 10, 1978. As you know, these concerns were recognized in Public Law 95-405 which requires the Commission to consider the effect of contract market designations concerning Government securities on the "debt financing requirements of the United States Government and the continued efficiency and integrity of the underlying market for government securities."

The Treasury did not oppose the original designations of contract markets involving Treasury bills, nor has it opposed continued trading in these markets. There are potential problems, however, arising from the proposal to permit simultaneous trading on different exchanges of

13-week bill contracts based on the same Treasury bill auction. Trading on more than one exchange would create a potential for manipulation and other abuses which would appear to require, at a minimum, that the Commission provide for coordinated surveillance and regulation and consolidated reporting at the outset.

As you know, we have expressed a number of concerns with respect to contract market designations involving Treasury coupon securities. Unlike Treasury bills, which are highly liquid short-term instruments and are actively traded throughout their lives, the longer term Treasury notes and bonds are typically held by permanent investors. The Treasury relies on these investors to finance the major portion of the public debt. As these coupon securities are placed with them, secondary market trading and the availability of securities for delivery are significantly reduced. We have been concerned, therefore, that market prices on outstanding Treasury coupon securities, and thus prices on Treasury new issues, could be adversely affected by a large volume of trading in any futures contracts based on Treasury coupon securities.

It is essential that the Treasury maintain the flexibility to finance the public debt at the lowest possible cost consistent with the fiscal requirements of the Government and the needs of the economy. We have concluded, however, that in a very practical sense, Treasury's flexibility would be reduced by the establishment of a futures market which is heavily dependent upon an expected new issue by the Treasury. It should not be assumed that the regular issuance of Treasury cycle notes will continue in its present pattern. These note cycles were established beginning in 1974 to deal with the financing of the extraordinary budget deficits of recent years. As we continue toward the President's objective of reducing and eliminating budget deficits, the maturities of Treasury new issues may well change substantially. Just last month, in the face of declining financing requirements, the Treasury substituted a 15-year bond issue for the usual 5-year cycle note. While many market participants had expected a 5-year note issue, we did not have to deal with an established futures market in 5-year notes and we were able to accomplish this change on short notice with minimum market impact. Once a futures market dependent on issuance of certain Government securities comes into existence, Treasury could be influenced, as a practical matter, by the potential disappointment of the expectations (even though not strictly warranted) of participants in this market.

Treasury debt management flexibility would also be reduced by the existence of futures markets dependent upon the availability of outstanding Treasury coupon securities. For example, the Treasury has at times engaged in advance refundings of outstanding Treasury issues, and the Treasury recently gave serious consideration to actually purchasing certain outstanding issues to relieve congestion in certain maturity areas of the market. Such debt management operations by the Treasury could result in the unexpected withdrawal from the market of certain securities, or groups of securities, which constituted part or all of the anticipated deliverable supply in the futures market. Thus, it may not be possible to deliver the security specified in the futures contract. Even if the contract were based on a "basket of securities," as has been suggested, there is no assurance that the predetermined group of securities will be readily available in sufficient supply at the delivery date.

We are deeply concerned with the current proposals for futures trading based on 2-year notes, 4-year notes, and 4 to 6 year notes. Based on the limited information available to us now, it is our judgment that such trading could have an adverse impact on the debt financing requirements of the United States Government. The overriding purpose of the Government securities market is to finance the public debt, and any development that may detract from that purpose must clearly be viewed as contrary to the public interest until such time as it is proven not to do so. In view of this conclusion, we do not believe that the simple assertion of a board of trade to the contrary would permit the Commission to find that the board had "demonstrate(d) that transactions for future delivery in the (Government securities) for which designation as a contract market is sought will not be contrary to the public interest" as required by the Commodity Exchange Act.

I assure you that we did not come to this conclusion lightly. I am deeply committed to the philosophy that our economy functions best if free markets are permitted to flourish. Yet, after careful consideration of the special role of the Government securities market and the requirements of the Commodity Exchange Act, as amended, I have

concluded that U.S. Treasury notes and bonds should not be used as a basis for trading in the futures market until more information concerning the market is available to us.

In addition to the practical consequences for debt management, we are also concerned by the lack of adequate information about the relationship between the futures market and the cash market for Government securities. Under Secretary Solomon's August 10 letter raised serious questions concerning the adequacy of information about the cash market supplied to the Commission in connection with its consideration of the four-year note proposal of the Chicago Mercantile Exchange. This information gap has not yet been satisfactorily closed.

There is also a need for coordinated reporting of positions in the underwriting of Government securities in the spot market with positions in the futures market. In this regard, the Treasury and the Federal Reserve are expanding the primary dealer reporting system to include disclosure of futures trading activity. The New York Federal Reserve Bank would require separate daily dealer reporting forms which will include volume of trading activity as well as positions in futures contracts based on U.S. Government securities. When the expanded system becomes operative, we can conduct the essential studies of possible benefits and detriments of futures activity on the cash market for Government securities.

In view of the current proliferation of new proposals for futures contracts based on Treasury securities and the lack of information available to us, we cannot be assured that these markets will not develop in a manner inconsistent with the public interest. Thus, I believe that at this time no further contract designations based on Treasury bills or coupon securities should be approved. Although I realize that the Commission has the power to withdraw contract designations in the appropriate circumstances, it is unquestionably more difficult to exercise that authority than to delay approval of new contract designations where important information about their impact is lacking. We realize that no study can supply definitive answers to all the questions a new contract may raise. However, we believe that the Federal Reserve and the Treasury, with the Commission's cooperation, can conduct the necessary studies of the likely impact of these futures markets on the cash market for Treasury securities. Because of the unique importance to the public of the cost of Treasury financing, this information should be available before an extensive market in futures contracts based on U.S. Government securities is permitted to develop.

We have discussed preparation of such studies with the Federal Reserve Board which is expected to consider the matter in the near future. We are prepared to proceed immediately. We look forward to coordinating with you and discussing how that can best be done.

Sincerely,

A handwritten signature in black ink, reading "W Michael Blumenthal". The signature is written in a cursive, flowing style with a large initial "W".

W. Michael Blumenthal

The Honorable  
William T. Bagley  
Chairman  
Commodity Futures Trading Commission  
Washington, D.C. 20581

APPENDIX

FUTURES CONTRACT APPLICATIONS

<u>Contract Designation</u>	<u>Board of Trade</u>	<u>Date of Application</u>
4-Year Notes	Chicago Mercantile Exchange (IMM)	July 13, 1977 (Resubmission 9-5-78)
4- to 6-Year Notes	Chicago Board of Trade	July 26, 1978
13-Week Treasury Bills	Amex Commodities Exchange	August 1, 1978
13-Week Treasury Bills	Commodity Exchange Inc.	July 31, 1978
1-Year Treasury Bills	Commodity Exchange Inc.	July 31, 1978
2-Year Treasury Notes	Commodity Exchange Inc.	July 31, 1978

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October 18, 1978



FOR IMMEDIATE RELEASE  
Friday, October 20, 1978

Contact: Robert E. Nipp  
202/566-5328

ANTIDUMPING INVESTIGATION UNDER  
STEEL TRIGGER PRICE MECHANISM

The Treasury Department announced today its first formal "fast-track" antidumping investigation based on information collected through the Trigger Price Mechanism (TPM) to monitor imports of steel mill products.

The case is brought against three foreign companies based on evidence that they are selling significant quantities of carbon steel plate to the United States at prices less than the applicable trigger prices, and, according to information developed in administering the TPM, apparently at less than "fair value".

The three companies are:

1. Empresa Nacional Siderurgica, S.A. of Spain
2. "Stahlexport" Przedsiębiorstwo of Poland
3. China Steel Corp. of Taiwan

Information developed by the Custom Service indicates dumping margins of up to 48.5 percent on sales to the United States by these companies.

Key features of the case include the following:

--The Department will investigate the imports of particular companies rather than countrywide as is normally the case, so as to focus on only those companies for which the accumulated evidence warrants proceeding with a full investigation at this time.

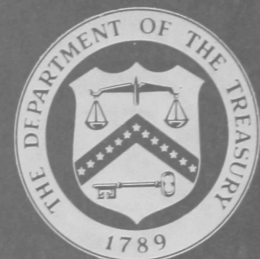
--A 21-day time limit is set for company responses regarding price information, and a 35-day limit will apply for cost-of-production information. If timely responses are not

received, the Treasury Department will use the best available evidence to calculate "fair value" and dumping margins.

The Treasury Department also indicated that it is making a number of other preliminary inquiries regarding imports of carbon steel plate to see if commencement of further cases against individual companies is warranted.

A copy of the Federal Register Notice is attached.

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FOR IMMEDIATE RELEASE

October 23, 1978

## 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 October 26, 1978, were accepted at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED		13-week bills		:	26-week bills		
COMPETITIVE BIDS:		<u>maturing January 25, 1979</u>		:	<u>maturing April 26, 1979</u>		
		Discount	Investment	:	Discount	Investment	
	<u>Price</u>	<u>Rate</u>	<u>Rate 1/</u>	:	<u>Price</u>	<u>Rate</u>	<u>Rate 1/</u>
High	98.010	7.873%	8.14%	:	95.659 <sup>a/</sup>	8.587%	9.10%
Low	98.001	7.908%	8.18%	:	95.642	8.620%	9.14%
Average	98.003	7.900%	8.17%	:	95.646	8.612%	9.13%

<sup>a/</sup> Excepting 2 tenders totaling \$7,455,000

Tenders at the low price for the 13-week bills were allotted 60%.

Tenders at the low price for the 26-week bills were allotted 74%.

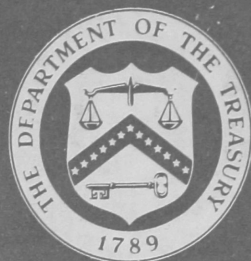
## TOTAL TENDERS RECEIVED AND ACCEPTED BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted	:	Received	Accepted
Boston	\$ 35,695,000	\$ 27,695,000	:	\$ 18,935,000	\$ 18,935,000
New York	3,543,070,000	2,026,140,000	:	4,468,260,000	2,937,335,000
Philadelphia	23,330,000	20,555,000	:	30,905,000	20,905,000
Cleveland	28,760,000	26,760,000	:	61,140,000	31,140,000
Richmond	17,475,000	17,475,000	:	42,335,000	37,335,000
Atlanta	32,605,000	30,735,000	:	71,360,000	71,360,000
Chicago	211,845,000	35,040,000	:	178,375,000	70,875,000
St. Louis	38,715,000	19,215,000	:	47,840,000	33,840,000
Minneapolis	19,100,000	16,500,000	:	18,090,000	17,050,000
Kansas City	27,900,000	27,860,000	:	48,435,000	31,455,000
Dallas	14,825,000	14,825,000	:	10,040,000	10,040,000
San Francisco	151,685,000	25,885,000	:	191,660,000	108,950,000
Treasury	11,450,000	11,450,000	:	11,250,000	11,235,000
TOTALS	\$4,156,455,000	\$2,300,135,000 <sup>b/</sup>	:	\$5,198,625,000	\$3,400,455,000 <sup>c/</sup>

<sup>b/</sup>Includes \$385,705,000 noncompetitive tenders from the public.

<sup>c/</sup>Includes \$262,900,000 noncompetitive tenders from the public.

<sup>1/</sup>Equivalent coupon-issue yield.



FOR IMMEDIATE RELEASE  
October 23, 1978

Contact: Alvin M. Hattal  
202/566-8381

## TREASURY RELAXES FOREIGN BANK ACCOUNT REPORTING

Under Secretary of the Treasury Bette B. Anderson today said that, effective in 1979, persons who own or control foreign financial accounts with an aggregate value of \$1,000 or less will no longer have to file Treasury Form 90-22.1.

Form 90-22.1 (Report of Foreign Bank and Financial Accounts) is filed with the Department before July 1 of each calendar year. It is required under the provisions of the (Foreign) Bank Secrecy Act and is intended to deter the use of foreign financial facilities to violate U. S. laws.

This relaxation of the reporting requirement should reduce unnecessary paperwork without materially affecting the usefulness of the reports, Mrs. Anderson said.

The text of the notice will appear in the Federal Register on October 25.

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RELEASE ON DELIVERY

Expected 9 A.M. Hawaii Time

Monday, October 23, 1978

PREPARED REMARKS OF  
THE HONORABLE W. MICHAEL BLUMENTHAL  
SECRETARY OF THE TREASURY  
BEFORE THE  
AMERICAN BANKERS ASSOCIATION CONVENTION  
HONOLULU, HAWAII

Looking at the economic situation in both its international and domestic dimensions, there is clear evidence of the considerable progress made over the last few years.

In 1975, economic output in the industrial world fell 1 percent. This year it will show a respectable average growth of 3-1/2 percent.

In 1974, the OPEC payments surplus was \$70 billion. This year it will be about \$16 billion.

In 1975, the developing countries' aggregate current account deficit was \$30 billion and the source of great concern. This year it will be about \$16 billion, and borrowing countries are generally in a stronger position to attract capital.

Most of the industrial countries facing major payments deficits in 1974 and 1975 have been able to cut their deficits substantially, in some cases to move into surplus.

On the domestic front, the U.S. economy has performed remarkably well in these past three years. Since the 1975 recession trough, we have added 10 million persons to our employment rolls. We have increased total employment by 12 percent. Unemployment has come down from more than 9 percent to below 6 percent. Industrial production has increased 31 percent -- it is now 10 percent higher than the pre-recession peak.

We have achieved 5.7 percent growth in 1976 and 4.9 percent growth in 1977. Our real gross national product has increased almost 18 percent since 1975.

These have been substantial accomplishments. But now we are confronted with a serious inflation which, together with the weakness of the dollar, has become the chief economic problem of the Carter Administration. The two issues are, of course, intimately related. If we fail to rein in inflation, confidence will continue to erode and the dollar will continue to suffer.

But the damage that inflation inflicts is not limited to international considerations alone. It is far more pervasive.

In terms of social welfare inflation reduces the living standards of the poor, the unemployed, the retired -- the groups that can least afford it.

In terms of the overall economy, inflation distorts, reduces, delays and prevents needed capital formation; stultifies long-term business planning; and generates unproductive forms of purely speculative activity.

In terms of allocation of resources, inflation disrupts the essential role of relative changes in prices, and in costs, as guides to efficient production and distribution.

In terms of the international position of the United States, inflation impairs the competitiveness of our exports, increases our balance of payment deficit, erodes our purchasing power, and undermines our leadership in world affairs.

#### Our Current Predicament

There is clear evidence that inflation is affecting the vitality of our economy.

- consumer prices have risen at a annual rate of 9-1/2 percent this year. Wholesale prices have gone up at an 8.7 percent rate.
- the rate of inflation in consumer prices fell back to a 6.9 percent annual rate in July and August when food prices were relatively flat. Producer prices of finished goods actually fell slightly in August. But producer prices shot back up by 0.9 percent in September (a double-digit annual rate) as food and raw materials prices rose strongly.
- even when such volatile elements as food, housing, and energy costs are removed from the consumer price index, inflation has increased from an average annual rate of 6 percent in 1976-77 to an annual rate of over 7 percent this year.

Similar trends have occurred on the wage side:

- hourly earnings are up 8.1 percent from a year earlier.
- total employee compensation has been at a 9 percent rate, up from 8 percent last year. In conjunction with very slow growth in productivity, this has resulted in over an 8 percent advance in unit labor costs, substantially above the 6 percent average increase for 1976-77.
- with prices rising as fast, or faster, than wages, there has been very little increase in real income. Average hourly earnings in real terms have gained less than one percentage point over the past 12 months. Actual take-home pay adjusted for inflation has declined slightly.

What we are facing at the moment is primarily a wheel-spinning, tail-chasing process in which no major economic group has achieved any substantial gains. In the face of relatively high rates of unemployment and unutilized productive capacity inflation during the past years has developed a momentum of its own, and is producing a general climate of further inflationary expectations.

Now there are some early warning signs that the economy is moving closer to the zone where demand factors will begin to aggravate the inflation problem. The total unemployment rate is still near 6 percent but a gradual tightening in labor markets is beginning to be felt. The data show that employment -- both absolutely and as a percentage of the population -- has recently been at historic highs. The unemployment rate for married men of 2.7 percent in September was the same as averaged in 1955, 1964, and 1972 when the economy was gathering steam. The index of help wanted advertising reached an all-time peak in August, 20 percent above the 1973 level. And nonunion wages are beginning to rise more rapidly than union wages as a consequence of the strength of market forces.

There is still a margin of unutilized industrial capacity but in some cases demand pressures are being felt. A notable example is construction materials, particularly those used in single-family homes, where tight supply conditions and strong demand have contributed to a sharp acceleration in wholesale prices. Scattered shortages of concrete are being reported. Non-electrical machinery operations are running at a higher rate of utilization than ever attained during the 1973-74 capital goods boom. And there are other examples.

To some extent these situations are a legacy of the sluggish pace of investment activity earlier in the expansion. Too much capital spending has been going into off-the-shelf items such as computers and trucks, too little into the expansion and modernization of basic productive capacity. And, from a strictly economic point of view, the heavy investment requirements for pollution abatement have not added much, if anything, to our current ability to produce.

On a fundamental plane, our problem is more than a classic case of too much demand chasing too scarce a supply of goods. I've been reading Teddy White's autobiography. He is not an economist (lucky soul!) but he is a wise and thoughtful man. He summed it up precisely when he wrote: "inflation is the hidden threat that disorganized government holds over those who try to plan, who try to be prudent."

Our problem is that we are living with the heritage of neglect and inappropriate treatment of the economy by the Federal Government. Previous administrations and Congresses have allowed inflation to become a way of life; it has been built into the price and cost decisions of all sectors of the economy, producing a vicious circle of inflationary reactions. This process has been building over the past decade. From 1957 to 1967 we averaged 1.7 percent inflation. Inflation then rose to average 4.6 percent during the period 1968 to 1972 and 7.7 percent between 1972 and 1977. Even after a severe recession, inflation has tended to build up rather than wind down, despite the moderate, well-paced economic expansion we have been experiencing.

The responsibility for exorcising the evils of inflation from our economic system falls squarely on the government. And President Carter is determined to exercise the leadership needed to mobilize the resources for doing so. Tomorrow he will present his program to the nation. I cannot, of course, tell you what the specific components of his program will be. But I can tell you that they will be based on the following principles:

- The policy must support and be consistent with the monetary policy of the Federal Reserve -- a policy designed to reduce the rate of inflation while permitting our economy to grow at a rate consistent with its underlying potential. Monetary policy has become increasingly more difficult to manage. The new "money market certificates" that savings institutions have been permitted to issue since June have changed the character of our financial markets, though it is not yet clear to what extent. The same may be true for the authorization of automatic transfers between checking and savings accounts. Innovations like these alter the relationship between increases in interest rates and the supply of credit. They have made it more important for the Fed to remain vigilant and not to let down its guard in the fight against inflation.
- The policy must be rooted in a very tight and effective fiscal policy. In its first year in office the Carter Administration reduced the budget deficit by \$16 billion from the bloated \$66 billion imbalance it inherited. In this fiscal year, we will cut the deficit by another \$10 billion. I have no doubt that the President will seek another sizeable cut in FY 1980. When President Carter came into office, there were not many who were convinced that he was serious in his resolution to bring the Federal budget into balance by the end of his first term. Given the reductions in Fiscal Year '79 and planned for '80, it is now becoming clear that the President is indeed serious in his determination to follow sound budgeting policies. We intend to assure that the economy continues to grow at its long term sustainable rate of 3 to 3-1/2 percent. And we intend to continue squeezing waste out of our budget. The two goals are not mutually inconsistent.
- The policy must come to grips with the problems posed by regulatory excess, in order to re-invigorate the functioning of the market system and improve the two-way flexibility of costs and prices. This has been and will continue to be our goal to search for ways to hold down costs of new regulations -- costs which in some cases have resulted in a virtual collapse in the rate of growth of productivity in some industries. You may be shocked to learn -- as I was -- that no administration has ever before kept tab of the number of regulations in force or pending, let alone of the capital costs they impose on the economy. There is much scope for the kind of cost-benefit analysis discipline that led the Administration to deregulate the airline industry to the benefit of the industry and of consumers. This scope will be utilized. We mean to bring the regulatory process under control.

- The policy must be buttressed by continued Administration resistance to increased import restraints, inflationary price guarantees, and the subsidization of domestic industries.
- The policy must seek the voluntary assistance of the private sector. If I may paraphrase Edmund Burke, all that is necessary for inflation to triumph is for good men to do nothing. It is no secret that a strong anti-inflation program requires the cooperation of the business and labor communities. This Administration is opposed to wage and price controls. But it is an inescapable fact that business and labor can and must voluntarily tighten their belts if we are to succeed in the inflation fight.
- Finally, the policy will coincide with a steady improvement in the balance of external payments. I spoke at the IMF/World Bank meeting two weeks ago and in that speech I predicted a substantial reduction in our current account deficit of perhaps as much as 30-40 percent this coming year. Apparently, I presented a less optimistic picture than Morgan Guaranty which envisions a 40 percent reduction and the IMF staff which forecasts 50 percent. To the extent this real accomplishment aids the dollar -- as it should -- it will greatly assist our anti-inflation efforts. A falling dollar has cost us 1/2 to 1 percentage point on the CPI as a result of higher import and import-substitution costs. It is to reverse this influence that the President recently announced the first elements of a national export policy -- a policy which will begin giving export markets the priority they require if we are to eliminate our current account deficit.

My point is that to lick inflation and to revive the dollar, we need a coordinated and concerted set of policies pursued with persistence over a period of time. The President's policies will aim in that direction. He is seeking to eliminate the vicious circle of expectations that continued or advancing inflation will bail out spenders and borrowers and those who sell dollars short. This is the pathology of inflation. And we are initiating a program that intends to put an end to it.

In the longer term we cannot succeed unless we can increase productivity and output. Curtailing demand pressures will break the momentum of inflation in the short-run, but in the long run, the most positive approach to fighting inflation is to increase the supply of the factors of production and the efficiency and productivity with which they are utilized. I'd like to dwell on this for just a minute.

Many factors determine the rate of growth of labor productivity. The most important are the age and training of the work force, the quality and quantity of the capital, and the rate of technical progress. Developments over the past ten years in each of these areas have been unfavorable. Some of these unfavorable developments will reverse themselves in the years ahead -- partly as a result of demographic changes in the composition of the labor force, partly because of programs we have implemented. But, frankly, these developments will be of limited use if we fail to equip our growing work force with a modern, expanded capital stock. The stock of productive capital per worker increased every year in the post-war period up to 1974. Since then, however, the process of capital accumulation has come to a complete halt.

There are many reasons for this: declining real profit margins, uncertainties about energy costs and availabilities, the necessity to utilize investment funds to meet legislative standards for environmental, health and safety purposes, etc. If these road blocks to investment are not removed, there is little hope for reducing costs, slowing inflation, increasing exports or improving our balance of trade.

We first have to gain a better understanding of the process of industrial innovation--not just the invention of new products and processes, but bringing these inventions into the production process more rapidly. To this end, a special Presidential study will result in specific policy recommendations in this area next year.

We need to equip our labor force with better training, to avoid the labor bottlenecks which may emerge in the early 1980's as the demographics change. Thus we have put in place major training programs for youth and minorities, programs which make maximum use of private sector talents and initiative.

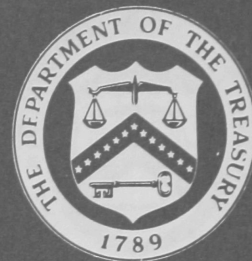
We must budget carefully and cost effectively the share of output we can devote in any one year in improving the environment and the safety of work.

We must complete the revision of our tax laws to insure that we are providing the most effective and equitable range of incentives to promote capital formation.

Most importantly, we must limit and continue to reduce the Federal government's preemption of resources. The government's share of national output is declining; real Federal outlays have declined from 21.4 percent of GNP to 20.8 percent in 1978. Our budgetary policy will result in further declines in the years ahead, leaving more real resources for private capital formation to spawn the productive, non-inflationary growth that is so critically important to the health of our economy and our money.

In closing, let me say that the anti-inflation fight is not a one-shot affair. Just as it took time for inflation to so seriously infiltrate our economy and our national psyche, so too it will take time to defeat it. President Carter knows this and is undaunted. He is absolutely determined to succeed.

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FOR IMMEDIATE RELEASE  
October 24, 1978

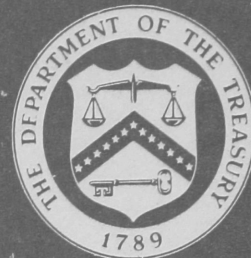
Contact: Charles Arnold  
202/566-2041

TREASURY OPPOSES APPROVAL OF FUTURES CONTRACTS, PENDING STUDY

Secretary of the Treasury W. Michael Blumenthal has strongly recommended that the Commodity Futures Trading Commission not approve six futures contracts based on U.S. Government securities until the Treasury and Federal Reserve Board can study the effects of the proposed trading on Federal debt financing and the market for Government securities.

Secretary Blumenthal's request was made in a letter delivered on Monday, October 23 to Commission Chairman William T. Bagley. A copy of the letter is attached.

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FOR RELEASE AT 4:00 P.M.

October 24, 1978

**TREASURY'S WEEKLY BILL OFFERING**

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately \$5,800 million, to be issued November 2, 1978. This offering will not provide new cash for the Treasury as the maturing bills are outstanding in the amount of \$5,807 million. The two series offered are as follows:

91-day bills (to maturity date) for approximately \$2,300 million, representing an additional amount of bills dated August 3, 1978, and to mature February 1, 1979 (CUSIP No. 912793 W6 9), originally issued in the amount of \$3,503 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately \$3,500 million to be dated November 2, 1978, and to mature May 3, 1979 (CUSIP No. 912793 Y3 4).

Both series of bills will be issued for cash and in exchange for Treasury bills maturing November 2, 1978. Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold \$3,346 million of the maturing bills. These accounts may exchange bills they hold for the bills now being offered at the weighted average prices of accepted competitive 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, both series of bills will be issued entirely in book-entry form in a minimum amount of \$10,000 and in any higher \$5,000 multiple, 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, Monday, October 30, 1978. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) 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 in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders 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 on all accepted tenders 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 bills issued in bearer form, 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. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action 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 weighted average price (in three decimals) of accepted competitive bids for the respective issues.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, and bills issued in bearer form must be made or completed at the Federal Reserve Bank or Branch or at the Bureau of the Public Debt on November 2, 1978, in cash or other immediately available funds or in Treasury bills maturing November 2, 1978. Cash adjustments will be made for differences between the par value of the 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 these bills 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 these bills (other than life insurance companies) must include in his or her 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 Circulars, No. 418 (current revision), 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.

8-7/8 %

TREASURY NOTES OF SERIES U-1980

DATE October 24, 1978

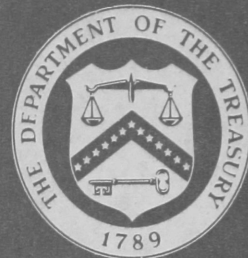
*2 year notes  
highest since old basis  
auction commenced.*

LAST ISSUE:

8-5/8 % (*10-2-78*)

LOWEST SINCE:

TODAY:



FOR IMMEDIATE RELEASE

October 24, 1978

## RESULTS OF AUCTION OF 2-YEAR NOTES

The Department of the Treasury has accepted \$3,252 million of \$4,512 million of tenders received from the public for the 2-year notes, Series U-1980, auctioned today.

The range of accepted competitive bids was as follows:

Lowest yield	8.90% <u>1/</u>
Highest yield	8.98%
Average yield	8.94%

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

Low-yield price	99.955
High-yield price	99.812
Average-yield price	99.883

The \$3,252 million of accepted tenders includes \$ 526 million of noncompetitive tenders and \$2,526 million of competitive tenders from private investors, including 22% of the amount of notes bid for at the high yield. 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 to the \$3,252 million of tenders accepted in the auction process, \$ 203 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 October 31, 1978, and \$300 million of tenders were accepted at the average price from Federal Reserve Banks as agents for foreign and international monetary authorities for new cash.

1/ Excepting 6 tenders totaling \$390,000



FOR RELEASE WHEN AUTHORIZED AT PRESS CONFERENCE

October 25, 1978

**TREASURY NOVEMBER QUARTERLY FINANCING**

The Treasury will raise about \$2,200 million of new cash and refund \$4,584 million of securities maturing November 15, 1978, by issuing \$2,500 million of 3-1/2-year notes, \$2,500 million of 10-year notes, and \$1,750 million of 30-year bonds.

The \$4,584 million of maturing securities are those held by the public, including \$732 million held, as of today, by Federal Reserve Banks as agents for foreign and international monetary authorities. In addition to the public holdings, Government accounts and Federal Reserve Banks, for their own accounts, hold \$3,623 million of the maturing securities that may be refunded by issuing additional amounts of new securities. Additional amounts of the new securities 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.

oOo

Attachment

B-1230

(over)

B1229 aa after B-1232

HIGHLIGHTS OF TREASURY  
OFFERINGS TO THE PUBLIC  
NOVEMBER 1978 FINANCING  
TO BE ISSUED NOVEMBER 15, 1978

October 25, 1978

**Amount Offered:**

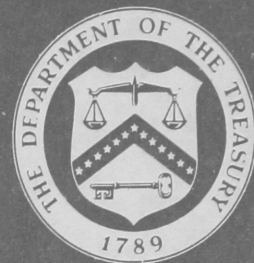
To the public.....	\$2,500 million	\$2,500 million	\$1,750 million
<b>Description of Security:</b>			
Term and type of security.....	3-1/2-year notes	10-year notes	30-year bonds
Series and CUSIP designation.....	Series K-1982 (CUSIP No. 912827 JD 5)	Series B-1988 (CUSIP No. 912827 JE 3)	Bonds of 2003-2008 (CUSIP No. 912810 CE 6)
Maturity date.....	May 15, 1982	November 15, 1988	November 15, 2008
Call date.....	No provision	No provision	November 15, 2003
Interest coupon rate.....	To be determined based on the average of accepted bids	To be determined based on the average of accepted bids	To be determined based on the average of accepted bids
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	May 15 and November 15
Minimum denomination available.....	\$5,000	\$1,000	\$1,000

**Terms of Sale:**

Method of sale.....	Yield Auction	Yield Auction	Yield Auction
Accrued interest payable by investor.....	None	None	None
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.....	Tuesday, October 31, 1978, by 1:30 p.m., EST	Wednesday, November 1, 1978 by 1:30 p.m., EST	Thursday, November 2, 1978, by 1:30 p.m., EST
Settlement date (final payment due)			
a) cash or Federal funds.....	Wednesday, November 15, 1978	Wednesday, November 15, 1978	Wednesday, November 15, 1978
b) check drawn on bank within FRB district where submitted....	Thursday, November 9, 1978	Thursday, November 9, 1978	Thursday, November 9, 1978
c) check drawn on bank outside FRB district where submitted....	Wednesday, November 8, 1978	Wednesday, November 8, 1978	Wednesday, November 8, 1978
Delivery date for coupon securities...	Wednesday, November 15, 1978	Wednesday, November 15, 1978	Monday, November 20, 1978



FOR IMMEDIATE RELEASE  
October 26, 1978

Contact: Robert E. Nipp  
(202) 566-5328

TREASURY ANNOUNCES REVOCATION OF  
COUNTERVAILING DUTY DETERMINATION  
REGARDING STEEL PLATE FROM MEXICO

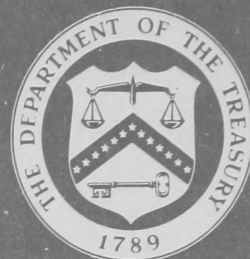
The Treasury Department today announced that the countervailing duty determination regarding carbon steel plate and high strength steel plate from Mexico is being revoked.

On January 6, 1976, the Final Countervailing Duty Determination in this case was published in the Federal Register. A waiver was concurrently granted.

Treasury has learned that the bounty leading to the countervailing duty finding has been eliminated. Accordingly, the Final Determination is being revoked.

Notice of this action will appear in the Federal Register of October 27, 1978.

\* \* \*



FOR RELEASE UPON DELIVERY  
EXPECTED AT 10:00 A.M.  
OCTOBER 26, 1978

REMARKS BY THE HONORABLE DANIEL H. BRILL  
ASSISTANT SECRETARY OF THE TREASURY FOR ECONOMIC POLICY  
19TH ANNUAL BUSINESS CONFERENCE  
ST. JOHN'S UNIVERSITY  
NEW YORK, NEW YORK

Your speakers this morning have worked out a fairly neat division of labor--neat at least from my point of view. Bill Freund is going to take the more hazardous chore--the near-term economic outlook. You'll know whether he is right or wrong in short order. I've got the safer job--the longer-term outlook. It's safer in that few, if any of you, will remember a decade from now if what I say today turns out to be wrong. Of course, if I'm right, I'll remind you. Otherwise, my talk will sink into the oblivion most economic forecasts deserve.

Moreover, I'm not going to attempt even a conventional forecast of the 1980's. Given economists' poor track record in forecasting, short- or long-term, I would not want to dignify these musings on longer-term prospects with the specious accuracy of point estimates for GNP growth, for inflation, or for unemployment. Rather, I would like to focus on a few of the major economic forces that will be conditioning the economic environment of the 1980's. Will they be working for or against us in achieving our objectives of a prosperous, noninflationary future?

Since I am by disposition, a Pollyanna rather than a Casandra, I will lead off and spend most of my time considering one of the forces that should be helping us support noninflationary growth--the demographic changes we can expect in the 1980's. But I will try to be evenhanded and discuss other elements in the future economic environment that may be less supportive of our objectives. It is as important to know the difficulties we will be facing as it is to know the favorable trends that will assist us in meeting our objectives.

There is no doubt that the maturing of the persons born during the baby boom of the late 1950's will exert a substantial influence on the economic outlook for the mid-1980's. The population bulge associated with the baby boom has now proceeded through the teenage years and is entering the 20 to 24 year age group. By 1985 most of this group will be over 25 years of age. Thus, we are on the threshold of an increase in the number and proportion of people in the 25 to 55 age bracket--the bracket frequently referred to as the "prime labor force" group--and almost at the end of the experience of getting those young people through their "difficult" age.

The past explosion in the absolute numbers of young people in the labor force--an increase between 1970 and 1977,

for example, of 6 million persons--resulted in unemployment rates for these workers which were not only high, but which were growing relative to the unemployment rates of prime age males. The connection between this growth in the number of young people and their higher unemployment rates is not difficult to explain. Some government policies, for example, have inhibited wage adjustments that would have helped to absorb younger workers. Minimum wage requirements have not only kept pace with average wage rates, but coverage has been extended to many areas in which younger workers are concentrated. In addition, welfare payments and unemployment compensation benefits have increased relative to after-tax earnings levels.

Companies were also faced with other difficulties in absorbing a more youthful work force. In many cases younger workers, lacking experience, are simply not good substitutes for older, more experienced workers. Quite aside from the fact that companies find it difficult to adjust their wage structures because of either public policies or labor contracts, they simply cannot easily reorganize themselves to provide a higher proportion of entry-level jobs. But these are precisely the kinds of jobs needed to absorb an exceedingly youthful labor force. Even if such entry-level jobs

could have been provided, many companies feared that they would simply have to change back after the decade or so it has taken for the boom to pass and the work force to mature.

The extent of the recent problem and the relief we will realize over the course of the next several years are evident from a few simple statistics. In 1960, workers aged 16 to 24 constituted 16.6 percent of the labor force. In 1978, they constituted 24.5 percent. By 1985, this proportion will drop to between 21 and 22 percent of the labor force. Of course, this forecast like any other is subject to a margin of error. The proportion can deviate somewhat depending upon what assumptions are made about trends in the participation rates for various population groups, particularly for women.

But no matter what assumptions one uses, several major changes stand out: (1) women will constitute a significantly larger proportion of the labor force, increasing from their present proportion of 41 to 44 percent by 1985; (2) the ratio of the "prime age" workers to the total labor-force is going to increase significantly; and (3) the proportion of the labor force accounted for by young people and new entrants is going to decline significantly.

These expected demographic changes in the labor force composition should have beneficial consequences for our objectives of noninflationary growth. The beneficial effects will operate primarily through two channels: (1) by lowering the "noninflationary" full employment-unemployment rate; and (2) by increasing the rate of growth in labor productivity.

- . Young workers, and other new entrants into the labor force, have little job-specific training or expertise.
- . Young workers are still searching among potential careers.
- . Young people tend to have poorer continuous working records because of intermittent schooling and in the case of females a desire to stop working in order to raise families.

The consequences of these facts are that women and youthful employees tend to have high turnover rates, higher unemployment rates, lower wages and generally work in low productivity employment.

The resultant higher unemployment rates have an additional danger in that they invite governmental policies designed to fight the unemployment, but which may have

inflationary side effects, e.g., efforts to stimulate aggregate growth at too rapid a pace. Some of the policies involve costly training and public service employment programs.

However, by 1985, the favorable demographic changes which have been outlined are expected to reduce the "non-inflationary unemployment rate" back down to its early post-war level of about 4.0 to 4.5 percent. The noninflationary rate, that is, the lowest level of unemployment which can be achieved consistent with relative price stability, is estimated to have peaked at about 5.5 percent in the 1975-1976 period.

The other major factor associated with demographic changes that will reduce inflationary pressures relates to productivity.

I am sure most of you in the audience are aware of the recent dismal productivity performance of the U.S. economy, but perhaps you are not aware of the full extent of the deterioration in this vital economic statistic. During the first 20 years of our post-war history, 1948-1968, output per hour in the private economy increased at an annual rate of 3.2 percent. During the most recent decade, 1968-1978, productivity growth dropped in half, averaging only 1.6 percent per year.

Many factors determine the rate of growth of labor productivity. Among the most important are the age, experience and training of the work force--what is frequently referred to as "labor quality". Although it is difficult to develop precise quantification of this component of the growth picture, probably one-fourth of the productivity slowdown during the past 10 years is attributable to the deterioration in labor quality, as both the absolute numbers and relative importance of new entrants into the labor increased. The influence of this factor on productivity should abate in the future as the demographics change.

Moreover, the negative productivity aspects associated with increased labor-force participation by women should also diminish. For as women become more firmly attached to the labor force and as social barriers are overcome, they can be expected to move into higher productivity, semi-skilled, skilled, and professional occupations.

There is also a possibility that the reduction in the number of teenagers and young adults will have a significant favorable effect on crime, and this would improve productivity by minimizing the loss of output and the resources which must be devoted to crime prevention.

Another major cause of the decline in productivity growth has been the failure of growth in the productive capital stock to keep pace with the growth of the labor force. During the first two decades after World War II, the U.S. gross capital stock grew at an average annual rate of 3.6 percent. During the next 10 year period, 1968-1978, it also grew at a 3.6 percent rate. However, some of the growth resulted from investment in pollution abatement facilities rather than from investment in new plant and machinery designed to increase capacity and worker productivity. When allowance is made for this fact, growth of the "productive" capital stock during the last decade slowed somewhat as compared to the earlier period, from a 3.6 percent annual rate to a rate of 3.4 percent.

At first blush, this relatively small slowdown hardly seems worth mentioning. But if one remembers that over the very same time frame the annual rate of growth of the labor force accelerated sharply, from 1.3 percent to 2.5 percent, the implications become clearer.

As a consequence of these disparate growth rates, the process of capital deepening slowed markedly. The rate of increase in the capital/labor ratio dropped from 2.2 percent during the 1948-1968 period to 0.9 percent

during the 1968-1978 period. Of course, some of this slowing is a legacy of the 1973-1975 recession, which severely depressed business investment. But some of it is due to more basic underlying economic factors that hinder business investment. The slowing of labor force growth in the future, and the increased recognition in public policy development of the need to encourage business investment, should enable capital formation per employee to improve and thus provide the needed capital to make labor more productive. Such prospective improvement will restore at least part of the recent sizeable loss in labor productivity and will have beneficial implications for slowing the rise in labor costs and prices.

I wish I could end my talk with this somewhat optimistic prognosis for future trends in inflation but, as I warned at the outset, I must examine both sides of the coin. For, basically, underlying price trends depend upon two elements--labor costs and raw material or natural resource costs. Unfortunately, the outlook for raw materials availability and costs is not as encouraging.

In the current debate about the long-term availability of raw material resources, there are a variety of views. On the pessimistic side, is the simplistic view, often

attributed to the Club of Rome, that growth is exponential while reserves of materials are finite. It is then a simple arithmetic calculation to show that exhaustion and complete world collapse is inevitable. Twentieth century malthusiasm! I've held to the view for a long time that this is the kind of nonsense one gets by letting computer system engineers muck around in economics.

A less pessimistic and, in my judgment, more realistic view, recognizes that there are various economic feedback mechanisms that link consumption to scarcity. Such a view generally relies upon the efficiency of the market mechanism. It holds that shortages, or even impending shortages, will generate rising prices, and that rising prices will act as a danger signal discouraging use of the scarce resource and stimulating technology to come up with alternatives.

It is frequently pointed out that the abundance of minerals in the continental crust of the earth is many times--often millions of times--greater than known reserves. Moreover, the law of conservation of mass insures that metals once extracted from the earth can be used over and over again.

Man has had success, historically, in dealing with lower quality, less easily accesible resources. Additional productive land can be created by swamp drainage, irrigation, forest clearing, etc., and yields per acre can be increased. Similarly, additional mineral resources can be discovered by investment in exploration, and by technological change which allows the mining of ores not previously usable. In short, technology can add to supplies of "fixed" resources.

While it must be recognized that the supply of natural resources is not "fixed", it must also be recognized that expanding this supply can be costly. There will always be enough materials and energy to satisfy demand, but at a price. The difficulty is that the price could be great enough to impair economic welfare.

Certainly, we're beginning as a nation to appreciate it in the area of energy. This is probably the best example of the process, the problem, the difficulties, the time and the cost of any solution. The post-war economic and social structure, as it has evolved in this country, has depended heavily on the ready availability and low cost of convenient sources of energy. The delights of our standard of living--suburbia, shopping malls, a plethora of motorized gadgets--are a function of cheap energy.

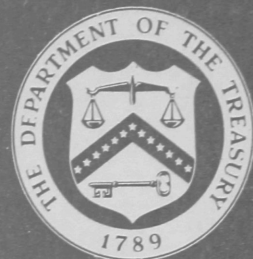
We are now learning the kinds of adjustments we will have to make to learn to live in an era of expensive energy. Whether the source of energy in the future remains oil, or whether we are successful in switching a significant share of our energy utilization to coal or some other alternative source is important for many economic and political reasons. But it is not critical to the issue of cost, for the capital investment involved in such a conversion is expensive and has to be funded.

I have a blind faith that the interaction of economic necessity and the advance in scientific knowledge will produce solutions. The questions are when, and at what cost. Until the answers are clearer, our adjustment has to put emphasis on conservation--moderating the growth in demand while we permit the economic and scientific forces to work.

We are already seeing some progress. High prices and legislation enacted since 1973 have begun to yield substantial dividends. U.S. energy consumption has declined relative to real GNP. In 1973, 60.4 thousand BTU were required per dollar of real GNP. This ratio dropped to 56.8 thousand in 1977, a 6 percent decline. Some of the causes of the decline are:

- . More efficient autos: Legislation enacted in 1975 has required that autos become more efficient. As a result
  - Gasoline consumption is at least 5 percent below levels which might otherwise have occurred.
  - Gasoline consumption should decline absolutely after 1980 or 1981.
- . More efficient use of energy in manufacturing: Calculations by Professor Jorgenson at Harvard indicate that industrial users have cut their use of energy by 16 percent since 1973. This is corroborated by
  - Fragmentary reports on the improvement in the chemical and petroleum industry.
  - Numerous reports by the Department of Commerce and DOE that industry has improved efficiency.
- . The growth in electricity consumption has been below trend.
  - Historically, electricity consumption increased at an average annual rate of 7.3 percent, about 3 percent faster than real GNP. However, this historical trend has broken since 1972.

I have dwelt on this one increasingly scarce resource at some length because it serves as a concentrated example of the problem and the solution. What is important for the subject of my dissertation this morning--the economic environment of the 1980's--is that the solution for problems such as these does involve higher prices. Thus, the urgency for improving productivity as an offset to other, unavoidable cost increases is clear--and we are addressing this issue--not only in the near-term by our review of government regulations and paper-work requirements which increase costs and decrease efficiency, but also in the longer-term with our emphasis on incentives to capital formation.



Contact: Charles Arnold (566-2041)  
Robert W. Dietsch (395-4747)

FOR IMMEDIATE RELEASE  
October 27, 1978

Joint Statement of  
W. MICHAEL BLUMENTHAL, Secretary of the Treasury  
and  
JAMES T. MCINTYRE, Jr., Director  
Office of Management and Budget  
ON BUDGET RESULTS FOR FISCAL YEAR 1978 AND  
REVISED ESTIMATES FOR 1979

SUMMARY

The Treasury Department is today releasing the September Monthly Statement of Receipts and Outlays of the United States Government, which shows the actual budget totals for the fiscal year that ended on September 30, 1978. In addition, the Office of Management and Budget is releasing revised estimates for 1979. The new totals are as follows:

- . Deficit.--The 1978 actual deficit was \$48.7 billion and the 1979 deficit is now expected to be \$38.9 billion. In comparison to the estimates in the budget issued last January, the deficits for the two years combined have decreased by \$35 billion.
- . Receipts.--Receipts were \$402.0 billion in 1978 and are now estimated to be \$452.7 billion in 1979. Actual receipts in 1978 were within \$1 billion of the January estimate. The current estimate for 1979 is \$12 billion above the January estimate.
- . Outlays.--Federal spending totaled \$450.7 billion in 1978 and is now estimated at \$491.6 billion in 1979. Spending in 1978 was \$12-1/2 billion below the January estimate and the current estimate for 1979 is \$9-1/2 billion below the January budget.

Table 1.--BUDGET TOTALS <sup>1/</sup>  
(in billions of dollars)

	<u>Receipts</u>	<u>Outlays</u>	<u>Surplus or Deficit (-)</u>
1977 Actual.....	357.8	402.8	-45.0
1978 Estimates and actual:			
January.....	401.3	463.1	-61.8
July.....	401.2	452.3	-51.1
Actual.....	402.0	450.7	-48.7
1979 Estimates:			
January.....	440.5	501.0	-60.5
July.....	448.2	496.6	-48.5
Current.....	452.7	491.6	-38.9

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<sup>1/</sup> The 1977 data and the January estimates for 1978 and 1979 have been adjusted in two ways: (1) earned income credit payments in excess of tax liability, previously reported as income tax refunds, are now treated as outlays; (2) the administrative expenses and interest receipts of the Exchange Stabilization Fund, which previously were excluded from the budget, are now included. Because of the latter change these 1977 and 1978 figures differ slightly from those in the Monthly Treasury statement.

#### 1978

Receipts.--Receipts in 1978 were \$402.0 billion, roughly \$0.7 billion above both the January and Mid-Session estimates. About half of this increase was due to congressional action on a variety of tax legislation. In relation to January, congressional action resulted in a small revenue gain -- with higher individual and corporation income taxes partly offset by lower excise taxes. In addition, receipts under existing law were slightly above the January estimate.

Outlays.--Outlays in 1978 were \$12.4 billion below the January budget. Only a few agencies -- notably the Department of Commerce, the Small Business Administration, and the Community Services Administration -- spent more than anticipated in the January budget. Outlays for virtually

all other agencies were below -- in many cases substantially below -- the January budget estimate.

A decision to pay certain retroactive social services claims in 1979 rather than in 1978 and nonenactment of the energy rebates reduced outlays by almost \$1 billion. However, in most cases, the reductions reflect overestimates in the January budget. Table 2 compares actual spending and the January estimates by agency.

Much of this shortfall in Federal spending was anticipated in the revised budget estimates issued in March and July. Actual spending in 1978 was only \$1.7 billion below the July estimates. Some agencies, notably the Department of Defense and the Small Business Administration, spent more than had been anticipated in the July estimates. Some agencies, including the Departments of Agriculture and Health, Education and Welfare (HEW), and the Environmental Protection Agency (EPA) and the military sales trust fund fell short of the July levels. Total spending by several departments, including Labor, State, Treasury, Transportation, and NASA, was virtually identical to their July estimate.

### 1979

Economic assumptions.--The current estimates for 1979 are based on the assumption that real GNP will increase about 3-3/4% over the four quarters of calendar 1978 and 3 to 3-1/2% during 1979. With these rates of economic expansion, the unemployment rate is projected to remain in the neighborhood of 6%. During the first three quarters of this year, the annual rate of inflation, as measured by the GNP deflator, was 8.4%. It is expected to measure about 8% for the four quarters of 1978. Next year, the rate of inflation is expected to decline to a range of 5 to 6-1/2% as a result of the new anti-inflation program and a more moderate rise of food prices.

Receipts.--The current estimate of 1979 receipts -- \$452.7 billion -- is \$12.2 billion above the January budget. This increase is due to smaller income tax cuts, partly offset by the revenue loss associated with the Energy Act. The current estimate of receipts is also \$4.5 billion above the Mid-Session Review estimates issued in July. Changes in legislation (net) add \$1.2 billion and reestimates and revised economic assumptions add \$3.3 billion.

The current estimates include the impact of two major pieces of legislation that the Congress passed earlier this month:

- The Revenue Act of 1978, if signed by the President, as assumed here, would reduce calendar year 1979 tax liabilities by \$21 billion. In fiscal year 1979, the Act is estimated to reduce receipts by \$11.5 billion. However, the bill increases 1979 receipts in relation to the January budget (\$13.5 billion) and the Mid-Session Review estimates (\$2.8 billion).
- The Energy Tax Act of 1978, which will reduce receipts by \$1.0 billion in 1979. The January budget proposals would have increased receipts by \$1.1 billion and the Mid-Session estimates assumed a revenue gain of \$0.1 billion.

Outlays.--The current estimate of 1979 outlays is \$491.6 billion, \$9.4 billion below the January budget. The July Mid-Session Review reduced the January estimates by \$4-1/2 billion. Relative to January, the Mid-Session estimates included an increase of \$2 billion for various policy changes, such as the farm bill, and a decrease of \$6-1/2 billion for reestimates in a variety of areas. The current estimates decrease outlays by another \$5 billion.

The major changes since July reflect the following policy and estimating differences:

- Rejection of the energy rebates reduces the July totals by \$1.4 billion. The current estimates include no outlays for such rebates.
- Nonenactment of parts of the urban initiative and countercyclical or supplementary fiscal assistance decreases outlays by \$1.4 billion. The current estimates include no outlays for supplementary or countercyclical fiscal assistance and \$0.2 billion in outlays for other urban initiatives.
- Higher interest rates and other changes in economic assumptions increase outlays by \$3.5 billion. Much of this increase is for net interest, which is currently estimated at \$42.2 billion, \$2.3 billion above the July estimate. The remainder reflects higher cost-of-living

increases for indexed benefit payments and higher outlays for unemployment benefits.

- Other changes, largely reestimates, decrease outlays by about \$6-1/2 billion. The current estimates reflect further revisions in many areas, including energy, EPA sewage construction grants, military trust fund sales, and programs of HEW. The current estimates also include congressional increases for HEW and veterans programs, partly offset by decreases in funds for employment and training.

Relation to the Budget Resolution.--The current Administration estimate of the deficit is virtually the same as the \$38.8 billion deficit in the Second Budget Resolution for 1979. However the Administration estimates for both receipts and outlays are \$4 billion above the totals in the Resolution. The Budget Resolution for 1979 sets a floor of \$448.7 billion on receipts, and a ceiling of \$487.5 billion on outlays applicable to actions of the Congress.

The economic assumptions incorporated in the current Administration estimates and technical estimating differences account for much of the difference in both receipts and outlays. In addition, the Administration receipts estimates reflect recent congressional action on a variety of tax bills, which, in total, reduced receipts somewhat less than anticipated in the resolution. While there are many estimating and some policy differences between the current Administration and resolution outlay estimates, the largest single difference is the estimate for net interest. The current Administration estimate for net interest is \$3.4 billion above the amount assumed in the resolution.

Table 2. 1978 BUDGET RECEIPTS BY SOURCE AND OUTLAYS BY  
 AGENCY -- CHANGE FROM JANUARY 1/  
 (fiscal years; in millions of dollars)

	<u>1977 Actual</u>	<u>January Budget estimate</u>	<u>1978 Actual</u>	<u>Change from January estimate</u>
<u>Receipts by Source</u>				
Individual income taxes.....	157,626	179,775	180,988	1,213
Corporation income taxes.....	54,892	58,949	59,952	1,003
Social insurance taxes and contributions:				
Employment taxes and contributions.....	92,210	103,986	103,893	-93
Unemployment insurance.....	11,312	14,420	13,850	-571
Contributions for other insurance and retirement.....	5,167	5,716	5,668	-48
Subtotal, Social insurance taxes and contributions.....	108,688	124,122	123,410	-711
Excise taxes.....	17,548	20,150	18,376	-1,774
Estate and gift taxes.....	7,327	5,618	5,285	-333
Customs.....	5,150	5,792	6,573	781
Miscellaneous.....	6,531	6,928	7,413	485
Total, Receipts.....	357,762	401,334	401,997	663
<u>Outlays by Major Agency</u>				
Legislative branch and the Judiciary.....	1,368	1,515	1,484	-32
Executive Office of the President.....	73	78	75	-3
Funds appropriated to the President:				
Disaster relief.....	294	375	470	95
Military assistance programs.....	-665	257	112	-145
Foreign economic assistance.....	2,730	3,515	3,469	-46
Other.....	129	769	424	-345
Subtotal, Funds appropriated to the President.....	2,487	4,916	4,475	-440

Table 2. 1978 Budget Receipts by Source and Outlays by  
Agency -- Change from January<sup>1</sup> (Continued)  
(fiscal years; in millions of dollars)

	<u>1977 Actual</u>	<u>January Budget estimate</u>	<u>1978 Actual</u>	<u>Change from January estimate</u>
<b>Agriculture:</b>				
Commodity Credit Corporation, foreign assistance, and special export.....	4,670	8,451	6,465	-1,986
Farmers Home Administration.....	963	1,262	1,638	376
Food and Nutrition Service.....	8,485	8,942	8,653	-288
Other.....	<u>2,619</u>	<u>3,971</u>	<u>3,613</u>	<u>-358</u>
Subtotal, Agriculture.....	16,738	22,625	20,368	-2,257
<b>Commerce:</b>				
Local public works program.....	585	2,304	3,057	754
Other.....	<u>2,020</u>	<u>2,221</u>	<u>2,195</u>	<u>-26</u>
Subtotal, Commerce.....	2,606	4,524	5,252	728
<b>Defense-Military:</b>				
Procurement.....	18,178	21,552	19,976	-1,576
Other.....	<u>77,472</u>	<u>83,748</u>	<u>83,148</u>	<u>-600</u>
Subtotal, Defense-Military.....	95,650	105,300	103,124	-2,176
Defense-Civil.....	2,280	2,536	2,553	17
Energy.....	5,217	8,152	6,430	-1,722
<b>Health, Education and Welfare:</b>				
Social security (OASDI net).....	83,861	93,048	92,242	-806
Medicare and medicaid.....	31,425	36,417	35,898	-519
Education Division.....	7,783	8,945	8,764	-181
Other.....	<u>24,387</u>	<u>26,185</u>	<u>25,905</u>	<u>-280</u>
Subtotal, HEW.....	147,455	164,595	162,809	-1,786

Table 2. 1978 Budget Receipts by Source and Outlays by  
Agency -- Change from January<sup>1</sup> (Continued)  
(fiscal years; in millions of dollars)

	<u>1977 Actual</u>	<u>January Budget estimate</u>	<u>1978 Actual</u>	<u>Change from January estimate</u>
Housing and Urban Development:				
Urban Renewal programs.....	850	600	376	-224
Other.....	<u>4,987</u>	<u>7,811</u>	<u>7,385</u>	<u>-425</u>
Subtotal, HUD.....	5,838	8,411	7,761	-650
Interior.....	3,194	3,904	3,678	-227
Justice.....	2,350	2,527	2,397	-129
Labor:				
Unemployment trust fund.....	14,103	11,800	11,169	-631
Other.....	<u>8,271</u>	<u>11,942</u>	<u>11,733</u>	<u>-209</u>
Subtotal, Labor.....	22,374	23,742	22,902	-840
State.....	1,076	1,247	1,252	5
Transportation:				
Federal Highway Administration.....	6,145	6,915	6,076	-839
Other.....	<u>6,369</u>	<u>7,481</u>	<u>7,376</u>	<u>-105</u>
Subtotal, Transportation.....	12,514	14,395	13,452	-943
Treasury:				
Interest on the public debt.....	41,900	48,600	48,695	95
Antirecession financial assistance fund.....	1,699	1,573	1,329	-243
Proposed legislation for social services and fuel efficiency.....	---	860	---	-860
Other.....	<u>6,871</u>	<u>6,524</u>	<u>6,183</u>	<u>-341</u>
Subtotal, Treasury.....	50,470	57,557	56,208	-1,349

Table 2. 1978 Budget Receipts by Source and Outlays by  
Agency -- Change from January<sup>1</sup> (Continued)  
(fiscal years; in millions of dollars)

	<u>1977 Actual</u>	<u>January Budget estimate</u>	<u>1978 Actual</u>	<u>Change from January estimate</u>
Environmental Protection Agency.....	4,365	5,063	4,071	-991
General Services Administration.....	-31	289	117	-171
National Aeronautics and Space Adminis- tration.....	3,944	3,982	3,980	-2
Veterans Administration.....	18,019	18,898	18,962	64
Civil Service Commission.....	9,620	10,949	10,963	14
Community Service Administration.....	639	666	768	102
Export-Import Bank.....	340	196	-106	-302
Federal Deposit Insurance Corporation....	-852	-379	-567	-188
Federal Home Loan Bank Board.....	-1,913	-360	-403	-43
Postal Service payment.....	2,267	1,787	1,778	-9
Railroad Retirement Board.....	3,859	4,160	4,075	-85
Small Business Administration.....	700	1,742	2,766	1,024
Other.....	5,217	5,706	5,805	99
Undistributed offsetting receipts:				
Federal employer contributions to retirement funds.....	-4,548	-5,024	-4,863	161
Interest received by trust funds.....	-8,131	-8,595	-8,651	-55
Rents and royalties on the Outer Con- tinental Shelf.....	-2,374	-2,000	-2,259	-259
Total, Outlays.....	402,811 =====	463,103 =====	450,656 =====	-12,447 =====
Budget deficit (-).....	-45,049	-61,769	-48,659	13,110

Table 2. 1978 Budget Receipts by Source and Outlays by  
Agency -- Change from January<sup>1</sup> (Continued)

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<sup>1</sup>/ The 1977 data and the January estimates for 1978 and 1979 have been adjusted in two ways: (1) earned income credit payments in excess of tax liability, previously reported as income tax refunds, are now treated as outlays; (2) the administrative expenses and interest receipts of the Exchange Stabilization Fund, which previously were excluded from the budget, are now included. Because of the latter change these 1977 and 1978 figures differ slightly from those in the Monthly Treasury Statement.

NOTE: Detail may not add to totals due to rounding.

Table 3.--BUDGET RECEIPTS BY MAJOR SOURCE, 1977-1979 1/  
(in billions of dollars)

		1978			1979		
	1977 <u>Actual</u>	January <u>Estimate</u>	July <u>Estimate</u>	<u>Actual</u>	January <u>Estimate</u>	July <u>Estimate</u>	Current <u>Estimate</u>
Individual income taxes.....	157.6	179.8	182.0	181.0	191.0	200.1	202.7
Corporation income taxes.....	54.9	58.9	59.0	60.0	62.5	60.8	68.0
Social insurance taxes and contributions.....	108.7	124.1	123.6	123.4	141.9	142.3	142.3
Excise taxes.....	17.5	20.2	18.2	18.4	25.5	24.6	18.2
Estate and gift taxes.....	7.3	5.6	5.2	5.3	6.1	5.7	5.7
Customs duties.....	5.2	5.8	6.1	6.6	6.4	6.7	7.2
Miscellaneous receipts.....	<u>6.5</u>	<u>6.9</u>	<u>7.1</u>	<u>7.4</u>	<u>7.2</u>	<u>8.0</u>	<u>8.6</u>
Total budget receipts..	357.8	401.3	401.2	402.0	440.5	448.2	452.7

1/ The 1977 data and the January estimates for 1978 and 1979 have been adjusted to reflect an accounting change relating to earned income credit payments in excess of tax liability.

Table 4.--BUDGET OUTLAYS BY AGENCY, 1977-1979 <sup>1/</sup>  
(in billions of dollars)

	1977	1978		1979			
	Actual	January Est.	July Est.	Actual	January Est.	July Est.	Current Est.
Legislative branch.....	1.0	1.1	1.0	1.0	1.2	1.2	1.2
The Judiciary.....	0.4	0.5	0.5	0.4	0.5	0.5	0.5
Executive Office of the President...	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Funds appropriated to the President	2.5	4.9	5.2	4.5	5.1	5.4	4.3
Agriculture.....	16.7	22.6	21.6	20.4	17.7	18.0	18.6
Commerce.....	2.6	4.5	5.2	5.3	4.4	4.6	4.3
Defense-Military 2/.....	95.7	105.3	102.0	103.1	115.2	112.0	112.0
Defense-Civil.....	2.3	2.5	2.5	2.6	2.5	2.6	2.6
Energy.....	5.2	8.2	6.6	6.4	10.1	10.2	9.1
Health, Education, and Welfare.....	147.5	164.6	163.3	162.8	181.3	181.3	181.0
Housing and Urban Development.....	5.8	8.4	8.0	7.8	9.5	9.4	9.1
Interior.....	3.2	3.9	3.9	3.7	4.0	4.0	4.0
Justice.....	2.3	2.5	2.5	2.4	2.5	2.7	2.6
Labor.....	22.4	23.7	22.9	22.9	25.1	24.7	24.2
State.....	1.1	1.2	1.3	1.3	1.4	1.4	1.4
Transportation.....	12.5	14.4	13.5	13.5	15.8	15.4	15.1
Treasury.....	50.5	57.6	56.3	56.2	63.4	63.4	64.0
Environmental Protection Agency.....	4.4	5.1	4.5	4.1	5.7	5.0	4.2
General Services Administration.....	-*	0.3	0.1	0.1	0.3	0.2	0.2
National Aeronautics and Space Administration.....	3.9	4.0	4.0	4.0	4.3	4.3	4.3
Veterans Administration.....	18.0	18.9	18.8	19.0	19.2	19.8	20.4
Other independent agencies.....	19.9	24.5	24.6	25.1	24.9	26.0	25.7
Allowances 3/.....	---	---	---	---	2.8	1.1	0.9
Undistributed offsetting receipts...	-15.1	-15.6	-16.1	-15.8	-16.0	-16.6	-18.2
Total budget outlays.....	402.8	463.1	452.3	450.7	501.0	496.6	491.6

<sup>1/</sup> See footnote 1, Table 1.

<sup>2/</sup> Includes allowances for civilian and military pay raises for the Department of Defense.

<sup>3/</sup> Includes allowances for civilian agency pay raises and contingencies.

\* \$50 million or less.

Table 5.--BUDGET OUTLAYS BY FUNCTION, 1977-1979 1/  
(in billions of dollars)

	1977	1978		1979			
	Actual	January Est.	July Est.	Actual <sup>2</sup>	January Est.	July Est.	Current Est.
National defense <u>3/</u> .....	97.5	107.6	104.2	105.2	117.8	114.6	114.5
International affairs.....	4.8	6.6	6.5	5.9	7.6	7.4	6.3
General science, space and technology.....	4.7	4.8	4.8	4.7	5.1	5.1	5.1
Energy.....	4.2	7.8	6.3	6.1	9.6	10.4	8.6
Natural resources and environment....	10.0	12.1	11.5	10.9	12.2	11.8	10.9
Agriculture.....	5.5	9.1	8.7	7.2	5.4	5.6	5.8
Commerce and housing credit.....	-*	3.5	3.4	3.4	3.0	3.0	2.8
Transportation.....	14.6	16.3	15.4	15.4	17.4	17.3	17.0
Community and regional development...	6.3	9.7	10.5	10.9	8.7	9.4	8.9
Education, training, employment and social services.....	21.0	27.5	26.6	26.6	30.4	31.4	30.4
Health.....	38.8	44.3	43.8	43.7	49.7	49.8	49.5
Income security.....	137.9	148.6	146.9	146.2	160.9	159.6	159.6
Veterans benefits and services.....	18.0	18.9	18.8	19.0	19.3	19.8	20.5
Administration of justice.....	3.6	4.0	4.0	3.8	4.2	4.4	4.3
General government.....	3.4	4.1	3.8	3.8	4.3	4.2	4.2
General purpose fiscal assistance....	9.5	9.9	9.6	9.6	9.6	9.5	8.4
Interest.....	38.1	43.8	43.8	43.9	49.0	49.0	52.1
Allowances <u>4/</u> .....	---	---	---	---	2.8	1.1	0.9
Undistributed offsetting receipts:							
Employer share, employee retirement	-4.5	-5.0	-5.0	-4.9	-5.2	-5.1	-5.3
Interest received by trust funds...	-8.1	-8.6	-8.6	-8.7	-9.1	-9.2	-9.9
Rents and royalties on the Outer Continental Shelf.....	-2.4	-2.0	-2.4	-2.3	-1.8	-2.3	-3.0
Total budget outlays.....	402.8	463.1	452.3	450.7	501.0	496.6	491.6

1/ See footnote 1, Table 1.

2/ Preliminary estimates by OMB, subject to later correction. These estimates differ in some respects from those shown in Table VII of the Monthly Treasury Statement. The final figures showing the distribution by function will be published in the 1980 Budget.

3/ Includes allowances for civilian and military pay raises for the Department of Defense.

4/ Includes allowances for civilian agency pay raises and contingencies.

\* \$50 million or less.



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FOR RELEASE ON DELIVERY

October 30, 1978 -- 9:30 a.m. EDST

REMARKS OF THE HONORABLE RICHARD J. DAVIS  
ASSISTANT SECRETARY OF THE TREASURY  
BEFORE THE  
NEW CONCEPTS SYMPOSIUM AND WORKSHOP ON THE  
DETECTION AND IDENTIFICATION OF EXPLOSIVES  
October 30, 31, AND November 1, 1978

RESTON, VIRGINIA

I want to add my welcome to that of Mr. Peterson and to say that I appreciate being asked to address this symposium and workshop on new concepts in the detection and identification of explosives. As an attorney and former Federal prosecutor, my primary experience has involved dealing with how to investigate and prosecute crimes after they have been committed. But my responsibilities for the protective as well as the investigative enforcement activities of the Treasury Department, demand a perspective which gives at least equal weight to the ability of government to prevent criminal activities, especially those employing violence.

Consequently, the Treasury Department has been following closely the developments, through ATF, of capabilities for the introduction of both identification and detection taggants into explosives. What we have found has been enlightening and offers to all law enforcement and security authorities an opportunity to use science and technology not only to solve more bombing crimes, but also to prevent their occurrence.

Bombing is a particularly vicious and indiscriminate crime: it is a clearly deliberate act of violence. One does not, in a moment of intense anger, grab his bomb from a closet and blow-up his spouse or

neighbor. The bomber actively has to acquire the knowledge of how to make a bomb; he has to fabricate the explosive device; and he has to plant it. This is a calculated, planned and indisputably intentional process. At the same time the consequences of the bomber's action are severe: death, injury and the destruction of property. For these reasons we believe that we should do all that we legitimately can to meet this problem. The explosives tagging program is one of those things. It is a program that can only add to the public safety.

Because of the rapid achievements in developing practical tagging capabilities, the Treasury Department and ATF devoted considerable effort during the 95th Congress to the passage of legislation which would provide us with the necessary authority to require that all non-military explosives manufactured or imported in the United States carry taggants. While that legislation did not reach a vote in the waning days of the session, its importance has not diminished and the Treasury Department will continue to press for its passage during the 96th Congress.

We will continue to urge the adoption of a legislative requirement for explosives tagging because it will provide us with critical tools in the battle against terrorists and others who use explosives illegally. Tagging will help us apprehend the bomber and it will help save lives and preserve property by preventing explosions from taking place.

To achieve passage in Congress and to realize the potential benefits to the public safety which science and technology offer us, we must not only laud the achievements of science but we must also concentrate our energies on assuring -- to ourselves, Congress, the public, and those few interests that oppose tagging -- that this is a program which has proved and will continue to prove itself under the most rigorous and objective standards of research, development and testing. What we have developed must not only work, it must work exceptionally well.

And it must be safe. No one wants a program which would insert into explosive materials something which would make them less stable, less efficient or less effective. Fortunately, the technology developed is meeting this challenge. It is all our job, however, to be certain and to demonstrate that we have accomplished these objectives, so that even the most skeptical will be satisfied.

One measure of precaution that we recommended was incorporated in some of the legislative proposals in the last Congress. That standard of caution remains. We would explicitly require that the insertion of taggants in any type of explosive be deferred until we found that the type of tagged explosives had all-around safety, that the taggants would not affect the performance of an explosive or of a weapon using an explosive powder, that they would not foul or damage a weapon using them, and that they would be available in sufficient quantities to avoid any interruption in the ordinary course of producing explosives.

We also do not seek to tag those types of explosives seldom found in any bombings. We have no desire to impose burdens on commercial enterprises that do not have a clear and overriding public benefit.

For example, in testimony before Congress in its recently concluded session we stated that we were not seeking to require the tagging of those smokeless powders inserted in commercially manufactured, fixed ammunition. Only powders for sale in bulk quantities should be tagged. We took this position because there is no measurable public benefit to achieve by tagging individual rounds of ammunition. Nevertheless, because tagged smokeless powder sold in bulk form will be used by shooters to hand-load their own ammunition, our stringent safety and compatibility requirements will still demand that the tagged powder remain completely safe for use in individual bullets. We are thus insuring the public safety while avoiding an undue burden.

From Treasury's perspective, the other vital issue for tagging has been whether the crimes solved and the deterrence established are worth the effort and costs of requiring the taggants. In order to assess this as objectively as possible, Management Science Associates was asked to study this question. While acknowledging the difficulty in assessing the impact of any program before it begins, the study concluded, and we believe, that the value and cost effectiveness of identification tagging is clear.

With detection taggants added to explosive materials and with the use of detection devices, we can go beyond solving bombing crimes only after the destruction has happened and begin, through pre-detonation discovery, to prevent bombings from occurring. The MSA study suggested that the cost-benefit of this form of tagging is less certain than that for identification tagging. Its analysis makes clear, however, that if one considers just the high risk, potential targets -- airports, planes, public buildings -- then the benefits are indisputable. In addition, when one considers what detection tagging can do -- save life and limb -- the essentiality of going forward with this program becomes clearer.

The possible price increases in explosives as a result of tagging for identification were estimated at merely one-and-quarter cents per pound of explosive; and while research on detection tagging is still continuing, we believe it may well be less. Ultimately, when identification and detection taggants are combined into one micro-unit, there should be more cost reduction.

By reminding you of the importance of the cost factors involved in explosives tagging I am merely restating what must be clearly recognized by the researchers, the developers and the eventual users of the tagging systems. They must be cost effective: from conception, through development, to detection at an airport or to field identification of a residue.

This goal has been achieved so far, and I importune you to continue to guide your efforts to a system which is completely safe and affordable. Without achieving those vital conditions precedent and demonstrating that they are established, the very significant contribution that you are making to law enforcement and the public safety may not be realized.

Ladies and gentlemen, we believe the benefits of tagging are clear. It will not, of course, provide a panacea, instantly solving the problem of explosives crime. Identification tagging will help solve some bombings, not all. Detection tagging does not mean that all bombs will immediately be detected. Together, however, they will meaningfully advance our ability to deal with the bombing problem, and deter some from using this deadly instrument. Those would be major life saving advances.

And if in your work you can improve upon what is now developed, or if you should develop a more beneficial alternative to tagging, -- one that is safer, cheaper, and ready to be used -- then that will be an even greater public good.

In your discussions during these next three days and in your continued work, I wish you every success.

oOo

**FACE THE NATION**  
as broadcast over the  
CBS Television Network  
and the  
CBS Radio Network

**Sunday, October 29, 1978 -- 11:30 AM - 12:00 Noon, EST**

**Origination: Washington, D. C.**

<b>GUEST: MICHAEL BLUMENTHAL</b> <b>Secretary of the Treasury</b>
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**REPORTERS:**

**George Herman, CBS News**

**Bill Neikirk, The Chicago Tribune**

**Ray Brady, CBS News**

**Producer: Mary O. Yates**

**Associate Producer: Joan Barone**

HERMAN: Secretary Blumenthal, you said that the early drop of the dollar was the result of insufficient study and appreciation of the President's anti-inflation program. At the end of this week, the dollar is still dropping, the stock market was still dropping, the gold market and the commodity market all looked bad. Why is the administration's optimism being so badly outvoted so long, so many days after its announcement?

SEC. BLUMENTHAL: Well, Mr. Herman, I think so many days is a slight exaggeration. We've had three days of bad stock market and bad currency markets, and no one can really explain why that is. The President's program is a program that is intended to impact the economy over the longer run; it deals with the fundamentals; it is a tough program, and I think it will do that, and I have no doubt that the markets will reflect that in coming weeks and months.

ANNOUNCER: From CBS News, Washington, a spontaneous and unrehearsed news interview on FACE THE NATION, with the Secretary of the Treasury, Michael Blumenthal. Secretary Blumenthal will be questioned by CBS News Business Correspondent Ray Brady; by Bill Neikirk, Economic Correspondent for The Chicago Tribune; and by CBS News Correspondent George Herman.

HERMAN: Secretary Blumenthal, I didn't want to exaggerate the three days into too long a period, but you did say last Wednesday that you thought the first drop in the dollar, and the first drop in the stock market, was the result of shallow and insufficient study of the President's proposals. By Friday, they'd certainly had something more than shallow and insufficient study, and yet they were still--those gold prices were still going up; dollar price, dollar value, was still

going down. Are you still arguing that it's because they don't understand what's in the President's program?

SEC. BLUMENTHAL: I am, essentially. I think these programs take a while to analyze and to understand; moreover, exchange markets certainly are heavily influenced, as is the stock market, by kind of psychological factors, sometimes the herd instinct, even. I think the key thing is to recognize that the fundamental policies of the administration that are in place are all moving in the right direction. The current account deficit is dropping substantially for the United States; our trade balance is improving; the President's energy program has been passed; a tough, new anti-inflation program has been put into place. All of these things together, with a declining budget deficit, clearly mean that the United States, with continuing growth of three or three and a half percent of the GNP, is moving in the right direction, and I think in coming weeks and months, the markets will reflect that.

NEIKIRK: Mr. Secretary, depending on how you count it, this is the second, third or fourth anti-inflation program announced by the President. Will this--will these guidelines be about as temporary as those previous programs? Are we looking for a long haul, say several years of voluntary guidelines?

SEC. BLUMENTHAL: I think this program is going to have to remain in effect for as long as the inflationary pressures in the economy continue. This is not a six months or a one-year program. As the President said, inflation has been building in this country for a decade. To get it out of our system, to get that curve turning down, is going to take quite a while; and I would expect that this kind of

program--the budget restraint, the kinds of domestic spending limitations, and the guidelines--will have to remain in effect until it is clear that we have turned the corner, and that will be some time.

BRADY: Guidelines and controls have never really worked that well, Mr. Secretary. What do you think is in this program that will make this set of guidelines work better than previous ones?

SEC. BLUMENTHAL: In the first place, I think it's very important to recognize the distinction between controls and the kind of integrated concerted program that the President has announced. We are not putting the American economy into a straitjacket. We are not impeding the free market mechanism in which our economy operates. It's an integrated program, and that's what's different about it. The President has announced very tough approach to fiscal policy, real restraints on spending, reductions in federal employment, a concerted effort to coordinate this so that monetary policy is responsible and fits in with this, and a voluntary effort on wages and prices, with his ability to use the resources at his disposal now to encourage labor and private business to collaborate with it. I really think that that integrated approach is what makes it different, and that that is what will have an impact over the longer run.

BRADY: How far are you prepared to go on monetary policy, though? The way interest rates are shooting up through the ceiling, you could be bringing on a major business slowdown.

SEC. BLUMENTHAL: Well, in the first place, monetary policy is the responsibility of the Federal Reserve, and they make their own decisions. In the second place, it is our estimate that at the present time, with the present level of interest rates, and the kind of fiscal

restraint that the President has announced, we will continue to grow in this economy at around three to three and a half percent in real terms. That means that unemployment will not rise, certainly not to any significant degree, and clearly the Federal Reserve is going to have to watch developments in the economy--demand and supply for credit, and so forth.

HERMAN: Mr. Secretary, last Wednesday at your news conference, in your opening statement you referred twice to coordinated policy with the Federal Reserve Board. In a speech that night, Chairman Miller of the Federal Reserve Board echoed the idea of coordinated policy. Yet when I asked you at the news conference what kind of understandings or agreements you had with the Fed, you said there was nothing specific. Can you give us some kind of ceiling for how this, quote, responsibly coordinated policy is, in fact, coordinated?

SEC. BLUMENTHAL: It is coordinated, Mr. Herman, by means of continuous contact that--

HERMAN: I understand that, but is there some kind of a game plan or idea of what you're all doing together?

SEC. BLUMENTHAL: Well, the game plan, of course, is based on a clear discussion between us as to what we're trying to accomplish, that we're trying to get the rate of inflation down substantially next year that the President will have a deficit at 30 billion or below in Fiscal Year 1980, that there will be cuts in government employment, federal employment, and that we're trying to keep the economy growing at about three percent or so a year. And that kind of approach, understood by the Federal Reserve, then allows them to plan their monetary policy in the light of their knowledge that this is what the President intends

to do. But--

HERMAN: So that they can slow monetary growth because of the lack of demand from the federal deficit without pushing up interest rates-- is that the general idea?

SEC. BLUMENTHAL: They--they can slow it down, speed it up, depending on the circumstances in the market. I really can't go beyond that, because that's their responsibility.

HERMAN: You see, my problem a little bit is with the word coordinated. It just doesn't sound really as though they're doing any coordinating with you.

SEC. BLUMENTHAL: What we're trying to say is that we're not working at cross-purposes with each other.

NEIKIRK: May I ask a follow-up question on that, Mr. Secretary? The President himself, just a few weeks ago, was criticizing the Federal Reserve for high interest rates. Now you've backed off. What accounted for this sudden change in policy?

SEC. BLUMENTHAL: I don't really believe that the President was criticizing the Federal Reserve. What the President was saying--and, of course, we all feel that way--that as the anti-inflation policy works, as inflation abates, we would all, of course, like to see lower interest rates, but that can only happen when indeed the rate of inflation is coming down. It's not that anyone is in favor of high interest rates per se; it is understandable that in a period of inflationary pressures, interest rates are going to be high. I think that's the point he was trying to make.

NEIKIRK: The point you're also making is, you said earlier that these controls will have to be--guidelines--will have to be in effect

for a long time. Isn't it also true that high interest rates are going to be with us for several years now?

SEC. BLUMENTHAL: I think that really depends on conditions in the credit markets, on the demand and supply of credit, on the rate of business activity, and on the speed with which inflation is coming down. If, indeed, we are successful in getting wage increases moderated next year--and price increases moderated--if we can grow at the moderate rate of around three percent or so, a year, there is no inevitability about very high interest rates for an indefinite period of time.

BRADY: But you're saying, in effect, that you're going to fine tune the economy, really, with this three and a half percent growth, and history has kind of shown you can't fine tune an economy this complex.

SEC. BLUMENTHAL: I don't know, Mr. Brady, what you mean by fine tuning--

BRADY: Three and a half percent.

SEC. BLUMENTHAL: Well, we say three to three and a half percent. Nobody can be sure that there isn't going to be a particular quarter when the economy may grow at a lesser rate or at a faster rate. It is a general target zone that we are shooting for. That's not fine tuning. Clearly, you have to have some vision of the future, some government planning, some knowledge of where you'd like the economy to go, and that's what this kind of--set of statistics really means.

HERMAN: Supposing it heads for two percent, or one and a half percent--then what happens to your plan? Supposing it heads for negative growth? Supposing it shrinks?

SEC. BLUMENTHAL: Well, certainly, if it--we have negative growth

and we have that for two quarters, we have what the economists define as a recession. We see nothing in the statistics for as far ahead as we can see--that is, for this year and for 1979--that indicates that we are headed in that direction. There's no unusual inventory accumulation, no distortions in the economy that--sales are holding up, housing sales, automobile sales--nothing in the works that indicates that.

HERMAN: Humor me with my hypothetical question. If it does go to two percent, or if it goes to zero or negative, what happens to your anti-inflation program?

SEC. BLUMENTHAL: Well, if it goes to negative growth, presumably there'd be a lot of easing of the pressures in the economy, and inflation would substantially abate. I think we will have to, as we always do, examine the circumstances in the light of that situation.

BRADY: On the guidelines, Mr. Secretary, suppose you have a situation like the railroads, who're asking for higher rates, and clearly if they don't get those higher rates they could go into bankruptcy, even more of them. How do you handle a situation like this?

SEC. BLUMENTHAL: I think one of the great advantages of the kind of standards program the President has decided upon is that it provides flexibility. It's not a straitjacket. It does indicate targets of reduction of at least a half a percent a year in prices; it provides certain other measures, namely, the--a test of profit margins. It takes into account what happens in an industry or a firm that during the base period actually has had no profits at all; it has some lower and upper limits. Obviously, we would look at each individual case. That's Mr. Kahn's job in assessing that and in seeing what is appropriate to that industry and to that company.

HERMAN: Are you contemplating any change in Social Security taxes or benefits, in order to help the inflationary push?

SEC. BLUMENTHAL: As the President indicated in his speech to the nation last week, he will be sending a set of legislative proposals to the Congress next year, and we have not yet recommended to him what these might be. And these legislative proposals will all be directed with -- toward the problem of inflation. I can't tell you what they will contain. Clearly, we need to look at the Social Security situation, and at those taxes, in--that whole problem in their totality, and it's possible that there will be something in that area, but that's not certain at this time.

NEIKIRK: Are you looking at the payroll tax, specifically, in connection with the Social Security--whether that can be reduced, and have some sort of alternative form of financing the system?

SEC. BLUMENTHAL: I can't tell you that that is, indeed, what will be proposed. What I am saying is, that that is one of the areas that, I'm sure will be looked at, as we survey the situation.

Because clearly, increasing payroll taxes do add some inflationary pressures. I should also add that they increase the benefits, so it isn't all lost to the individual paying them. Because by raising the base on which they are assessed, they also provide more social security payments to people, when they retire.

HERMAN: Let me -- since I'm in the hypothetical question business, let me try a few others on you. The President's program of sanctions to obtain agreement to these, quote, voluntary, unquote, guidelines, includes government purchasing. Mr. Winpisinger, of the International Machinists and Aerospace Workers,--has indicated that he

may not go along. If he wins, for example, a twelve or thirteen percent increase for his workers, and American aerospace manufacturers have to increase their prices, is it conceivable that the United States could possibly stop buying war planes from American manufacturers? That's just not conceivable, is it?

SEC. BLUMENTHAL: The U.S. government is a very large purchaser of a great many products. Some of them are products that are needed for the national defense; some of them come from a single supplier. Others are of a different kind. They come from a range of suppliers.

Clearly, there are circumstances in which that particular measure would not make sense. But let me say, Mr. Herman, I really don't believe that the--that American labor leaders, and the average union member, the average worker, is not going to cooperate, for the simple reason that it's--it is really in the interest of everybody.

The polls show that everyone--union members included--consider inflation the number one problem. If there can be assurance that everyone will cooperate--it's like that analogy the President made about the football stadium--if we all sit down, we'll all see better. If we all cooperate, we'll all have a lower rate of inflation. I really think that with this wage insurance thing, that we're contemplating, that will be proposed to the Congress, there's every incentive of--for everyone, including the Machinists, to cooperate.

BRADY: What about those estimates, Mr. Secretary, that if that wage insurance could throw the budget even more into deficit by, I think it's \$9 billion, if we have one percent more inflation; eighteen billion dollars, if we have two percent. How can the administration handle those?

SEC. BLUMENTHAL: These estimates make no sense, at all, at this point. In the first place, we have not yet fully elaborated what that scheme would be like. That will be proposed in January--we're still working on it.

You may have noted that it has been said that there will have to be appropriate limits, with regard to that.

Third it is also clear that if everyone collaborates, then by definition, we will reach our targets, and there will be no costs attached to it.

If there really is a very substantial rate of inflation, and a lot of workers--or all workers have, in fact, signed up for the 7% guideline, that means it has to be some extraordinary rate of inflation in the country, and unfortunately, in that situation, tax receipts will also be going up, because it pushes people into higher tax brackets. So, there are all kinds of safeguards in this, and we will have to await an elaboration of the detailed formula, and I think you will see that the risk is not very great.

BRADY: In the latest figures, Mr. Secretary, the thrust of inflation now is coming from housing. Mr. Carter mentioned it the other night, in his program, that you had to do something about this.

But isn't it going to be very difficult? I mean, you're sort of putting yourself in the position of telling a person what he can charge for his house, if he sells it.

SEC. BLUMENTHAL: No, I don't--there is nothing in the standards that would put a limitation on--on what a person selling a house can charge for that. What we are saying, that there has to be in all industries the kind of price restraint that the President has

talked about--and that applies to housing, just like to every other sector. Actually, housing has held up very well--it's over two million housing starts a year--which is quite remarkable, given the rate of interest.

BRADY: I was talking about the cost of the housing, now.

SEC. BLUMENTHAL: Well, the cost of the housing, again, is a function of labor going up, of various kinds of materials going up, and it's a product like any other.

NEIKIRK: Mr. Secretary, the Teamsters--a very important contract next year. What kind of club in the closet do you have for the Teamsters? Are you going to hold up trucking de-regulation for that industry as a--

SEC. BLUMENTHAL: Mr. Neikirk, I am not in a position to lay out for each individual industry, or each individual union, a series of clubs that is in the President's closet, that he will pull out in order to use in that instance.

Moreover, that is not the way in which the program is going to work.

NEIKIRK: That's the way I understood it, when he announced it the other--

SEC. BLUMENTHAL: The program is based on voluntary compliance, and we are quite sure that labor, just like private industry, want to collaborate with this program. If there are individual instances where prices rise faster, that must mean that there are pressures that need to be relieved--and there are a variety of tools, I can't tell you in each individual instance what they will be, that the President will use, and they include everything from easing import re-

strictions to taking a look at subsidies that are available to that industry, to all kinds of other things that are available.

NEIKIRK: Well, let me put it like this—has it occurred to anyone in the administration that holding off on trucking de-regulation might be a way to convince the Teamsters to agree to a responsible figure?

SEC. BLUMENTHAL: I would--

NEIKIRK: Just a comment--

SEC. BLUMENTHAL: I would think it's safe to say, Mr. Neikirk, that there are a lot of intelligent people in the government on whom the various possibilities for an individual industry are not lost.

HERMAN: Let me take you in another direction, not necessarily a club across the back of the administration. But in almost all his previous speeches, the President listed four necessities of life that had to be specially dealt with, in this struggle against inflation, and they were food and housing, and medical costs and energy. All of a sudden in this speech, energy disappeared from his list of necessities that had to be dealt with--and this is immediately after an energy bill which the President wanted is pushing up energy prices. Isn't it a necessity any more, that needs special consideration?

SEC. BLUMENTHAL: Well certainly, energy is--we can't run an economy like the United States without major inputs of energy, and I don't think there's any significance to the absence of energy to that not being mentioned.

I think we do have a situation on our hands where we've been importing too much energy into this country. That has further imbalanced our trade accounts. That has weakened the dollar. A weakened

dollar increases inflation. If we can get energy imports down; if we can produce more in this country; if we can consume less in this country, then, clearly, we can counteract inflation. Therefore, some price increases, which may be coming along as a result of the energy bill, and which are unavoidable, but which help our national security, which strengthen the dollar, which thereby decrease inflation, are an offset in this situation--and while you have higher prices, you also have a stronger dollar, and that will help.

BRADY: Isn't that energy going to make for a problem next year, though? I mean, you're trying to get the inflation rate down, but you've got natural gas that's going to double by 1985 in price. Certainly it's under a different set of guidelines than the rest of us.

You've also got--meat prices, for example, probably are going to go through the ceiling next year. So, I mean, energy and meat and food, right away, are going to make for problems in this.

SEC: BLUMENTHAL: Well, certainly, there are going to be problems. And it is true that there may be some price increases; that's why we have to work very hard in other areas to offset that. There just simply is no simple way out, and in a complex economy, there are inconsistencies, and there are policies that have to be followed, which tend to raise some prices. But, overall, we think we have a chance to get the total level of prices down, if people stick to the 7% on the wage side; and if on the price side we can get at least that half a percentage point or less, in deceleration of prices over the average of '76 and '77.

HERMAN: Let me try on you a problem that you may not have considered. This past week, Julius Shisken, the Commissioner of Labor

Statistics, died. He was one of the most trusted economists and public servants in Washington. Now you have to, in the Administration, appoint a new Commissioner of Labor Statistics, at a time when the measurement of unemployment, and the measurement of inflation, is going to be extremely important. Is it going to be a problem finding somebody who has the kind of trust in his statistics--in his figures--on which everything is judged, as the public and the Congress had for Julius Shisken?

SEC. BLUMENTHAL: I don't think that that's going to be a problem, Mr. Herman. I think that what we--one of the great strengths we have in this country is that we do have a set of statistics, and a statistical competence, that is above reproach, and totally relied on by everybody.

No one, including the President or any administration, would tolerate fiddling with the statistics. There are a lot of competent people around who can do this job. Mr. Shisken had a marvelous reputation, and he will be sorely missed, but I am sure that there are others with like capabilities, and like integrity, and I'm sure the President will insist on such a person holding that job.

HERMAN: In the very short time we have left, one loose end--you talked about these guidelines having to stay on for a long time. Can you name a number of years--is it four years; five years?

SEC. BLUMENTHAL: I don't think it's that long. We really don't know, but it's certainly going to have to be more than just a single year, Mr. Herman.

HERMAN: Thank you very much.

Last Sunday, in a question on this broadcast, it was stated that

former CIA Director, Richard Helms, was a registered agent of the Iranian government. That statement was incorrect. Mr. Helms is not a registered agent for Iran. Good day.

ANNOUNCER: Today on FACE THE NATION, Secretary of the Treasury Michael Blumenthal was interviewed by CBS News Business Correspondent Ray Brady; by Bill Neikirk, Economic Correspondent for the Chicago Tribune; and by CBS News Correspondent George Herman.

Next week, another prominent figure in the news will FACE THE NATION.



FOR IMMEDIATE RELEASE

October 30, 1978

## RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for \$2,300 million of 13-week Treasury bills and for \$3,501 million of 26-week Treasury bills, both series to be issued on November 2, 1978, were accepted at the Federal Reserve Banks and Treasury today. The details are, as follows:

RANGE OF ACCEPTED		13-week bills		:	26-week bills		
COMPETITIVE BIDS:		<u>maturing February 1, 1979</u>		:	<u>maturing May 3, 1979</u>		
	<u>Price</u>	<u>Discount</u> <u>Rate</u>	<u>Investment</u> <u>Rate 1/</u>	:	<u>Price</u>	<u>Discount</u> <u>Rate</u>	<u>Investment</u> <u>Rate 1/</u>
High	97.901	8.304%	8.60%	:	95.515 <sup>a/</sup>	8.871%	9.42%
Low	97.852	8.498%	8.80%	:	95.425	9.049%	9.62%
Average	97.863	8.454%	8.76%	:	95.459	8.982%	9.54%

<sup>a/</sup> Excepting 1 tender of \$10,000

Tenders at the low price for the 13-week bills were allotted 95%.  
Tenders at the low price for the 26-week bills were allotted 64%.

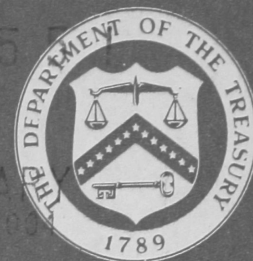
## TOTAL TENDERS RECEIVED AND ACCEPTED BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted	:	Received	Accepted
Boston	\$ 17,550,000	\$ 17,550,000	:	\$ 23,770,000	\$ 23,770,000
New York	3,697,690,000	1,895,755,000	:	4,620,435,000	2,931,635,000
Philadelphia	42,365,000	42,065,000	:	39,100,000	39,100,000
Cleveland	32,480,000	32,480,000	:	11,610,000	11,610,000
Richmond	21,690,000	21,690,000	:	15,140,000	15,140,000
Atlanta	29,465,000	26,755,000	:	26,090,000	26,090,000
Chicago	294,320,000	134,320,000	:	216,945,000	166,945,000
St. Louis	35,815,000	25,815,000	:	33,210,000	25,210,000
Minneapolis	3,820,000	3,820,000	:	9,015,000	9,015,000
Kansas City	26,400,000	26,400,000	:	19,975,000	19,975,000
Dallas	14,275,000	14,275,000	:	9,745,000	9,745,000
San Francisco	235,210,000	50,210,000	:	237,670,000	209,070,000
Treasury	9,235,000	9,235,000	:	13,535,000	13,535,000
TOTALS	\$4,460,315,000	\$2,300,370,000 <sup>b/</sup>	:	\$5,276,240,000	\$3,500,840,000 <sup>c/</sup>

<sup>b/</sup>Includes \$349,355,000 noncompetitive tenders from the public.

<sup>c/</sup>Includes \$223,050,000 noncompetitive tenders from the public.

<sup>1/</sup>Equivalent coupon-issue yield.



OCT 31 '78

TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE

REMARKS BY  
THE HONORABLE ROBERT CARSWELL  
DEPUTY SECRETARY OF THE TREASURY  
AT THE  
NEW YORK LAW JOURNAL SEMINAR ON  
"LEGAL PROBLEMS OF BANK REGULATION"  
SAN FRANCISCO  
OCTOBER 30, 1978 -- 9:40 A.M.

I am delighted to be here and to have this opportunity to talk with you about recent and pending developments in the area of bank regulation. In recent years advances in technology and vigorous competitive conditions have produced widespread changes in the banking business. This has led to multiple proposals from all sectors of the financial world for legislative initiatives and to reexamination by the bank regulatory agencies of many of the traditional constraints that have been imposed on the banking environment.

After years of inconclusive skirmishing, Congress (with help from the bank regulators and the executive branch) has addressed some of the outstanding issues, and I would like to talk to you this morning about that process and the new state of the law. In August Congress passed and the President later signed the International Banking Act, which

for the first time gives the federal government a comprehensive role in the regulation of foreign bank operations in this country. Then, barely a fortnight ago, Congress passed an omnibus bank reform bill. The bill, known as The Financial Institutions Regulatory and Interest Rate Control Act of 1978, is a broad ranging affair. To take its measure you must move from areas as diverse as insider lending, privacy and EFT to NOW accounts and change in bank control. As the first major reform legislation in eight years, the bill provides an apt starting point for any discussion of bank regulatory legal problems.

The bill has not yet been signed into law by the President and it is always possible that he might decide not to do so. But I would suggest that it is not too early for you to begin to assess what this bill will mean for your clients if it does become law. Hence, what I propose to do today is highlight some of the provisions of this bill that may be of special significance for you as a lawyer or banker.

Before turning to the substance of the bill, I would like to say a word or two about the background of the bill. From some of the newspaper accounts one might suppose that it was slipped by two chambers of weary Congressmen anxious to get home for elections. In fact, the passage of the bill culminated several years of intense work

by the Senate and House banking committees and extensive debate within the banking community. In the process many voices were heard and heeded. The bill that finally emerged is the product of what sometimes seemed endless deliberation and compromise.

On the Senate side, the history began as early as September 1975 when a bill to upgrade the supervisory and enforcement powers of the three federal bank regulatory agencies was introduced at the request of these agencies. The Senate Committee on Banking, Housing and Urban Affairs held hearings in 1976 and again in 1977 on this and other regulatory proposals. In August of 1977 the Senate passed a regulatory package which it sent to the House.

In the House, Representative St Germain introduced his own bill, known as the Safe Banking Act. Extensive hearings -- at which the bank regulators appeared along with representatives from the industry and the public -- were held on this bill in September and October. I testified on behalf of the Administration at those hearings and later at hearings on the Senate side.

The hearings revealed that there were substantial differences of opinion on the provisions in the proposed Safe Banking Act. As the months went on, these were bridged in intricate negotiations involving the Congress, industry representatives, the bank regulators and the Administration.

The consensus that emerged was generally confirmed when in July of this year the House Banking Committee reported out the bill, renamed "The Financial Institutions Regulation Act of 1978." In the closing days of the session the Senate and House Banking Committees worked together to assure that the core provisions in the bill would come to the floor for a vote. A carefully balanced package reached the floor of the House and Senate on the last day of the session. It passed overwhelmingly, and does credit to the sagacity of Senator Proxmire and Congressmen Reuss and St Germain who were primarily responsible for the legislation.

#### Supervisory Provisions

One of the basic themes in this legislation is the prevention of unsafe and unsound banking practices. To this end the Congress has given the regulators new supervisory and enforcement powers. First, the regulatory agencies are now clearly authorized to issue cease and desist orders directly against individuals--directors, officers, employees, agents or other persons participating in the conduct of the affairs of the institution.

Second, the regulators have been given authority to impose civil money penalties on individuals and institutions alike for violations of various provisions of the banking laws. In the case of most of these provisions, the regulator is authorized to impose a penalty of not more than \$1,000 per day per violation.

Third, the regulators' authority to remove officers and directors of financial institutions has been expanded to include not only cases involving personal dishonesty, but also cases involving willful or continuing disregard for the safety of the bank.

Fourth, the Federal Reserve Board is empowered to require divestiture by a bank holding company of a non-bank subsidiary if that subsidiary presents a serious risk to the safety of any bank subsidiary of the holding company.

This is an impressive battery of new supervisory powers for the bank regulators. I am confident that we can rely on the regulatory agencies to use these new powers judiciously. Indeed, in recommending these powers, Chairman Burns expressed the view that these powers would only have to be used infrequently. As the regulators firmly recognize, the primary benefit of these powers lies in their value as a deterrent.

The bill deals with another supervisory issue that in the past has suffered from a lack of clear guidelines and rules. That issue is insider lending. Insider lending is of course not a new problem, but its role in a number of prominent bank failures in recent years has forced a harder look at ways of preventing abusive situations. The bill basically adopts the approach that was recommended by the regulators themselves in 1975.

First, the bill provides a new aggregation rule and, in the case of federally insured state banks, a new lending

limit for insider loans. Under the bill loans to executive officers or significant shareholders of banks must be aggregated with loans to companies or campaign committees controlled by them.

The bill further provides that insider lending at federally insured state chartered banks will be governed by the lending limit in the National Bank Act. In effect we now have a uniform lending limit and aggregation rule for insider lending. Let me emphasize one point on the aggregation rules. Unlike certain other provisions of this bill dealing with insider transactions, the aggregation rules do not apply to outside directors or their controlled companies.

The bill also requires that any lending in excess of \$25,000 to insiders or their controlled companies or campaign committees be approved in advance by the board of directors. This salutary approach is designed to place principal responsibility for monitoring insider lending where it belongs--in the hands of the board of directors. Both the aggregation and the board approval rules are new and you will want to assure that your clients establish the necessary internal procedures to meet them.

The third element of the insider provisions of the bill establishes a rule that loans to insiders may not be made on preferential terms. In this respect I trust that

the bill is merely codifying adherence to elementary fiduciary principles that are already the rule in most of our banks.

#### Correspondent Accounts and Disclosure

Another significant area addressed in this bill is the provision dealing with insider borrowing between correspondent banks. The Congress has chosen to provide a direct rule for these transactions as well. It is the same rule of nonpreferentiality that applies to an insider's borrowing from his own bank.

As a monitoring device, the the bill requires that executive officers and significant stockholders of a bank make an annual written report to their bank of any loans that they or their controlled companies have outstanding at correspondent banks. The fact that such reports had been filed and the aggregate amount of the loans made to these officers and stockholders and their controlled companies, as a group, would be public information. The bill adopts a similar approach to public disclosure of loans made by a bank to its own insiders. These provisions reflect the Congressional belief that even limited public disclosure of insider dealings may serve to deter abuses in this area.

#### Management Interlocks

The bill has fundamentally changed the rules in another area that may be of interest to you. That is area of management

interlocks between depository institutions. Title II of the bill establishes a new regime that expands upon the present bank interlock provisions in the Clayton Act. The new rules apply not only to interlocks between banks, but also to interlocks between banks and other depository institutions.

In substance, the bill prohibits management interlocks between depository institutions or depository holding companies where one of the institutions has total assets of more than one billion dollars and the other has total assets of more than five hundred million dollars. This prohibition reflects the realization that large financial institutions are increasingly in competition with each other regardless of their geographic location. The other prohibition in the bill relies on geographic considerations. It prohibits most management interlocks between institutions with offices in the same standard metropolitan statistical areas or in the same or contiguous cities, towns or villages.

The bill carries over a number of the exemptions contained in the Clayton Act and adds a few of its own. In addition, it provides a generous grandfathering period of ten years for existing interlocks.

I should mention one peculiarity in the interlock title. For reasons of Congressional committee jurisdiction, the House Banking Committee chose not to repeal the interlock provisions of section 8 of the Clayton Act. Accordingly,

in the future you may have to review two statutes to determine whether a bank interlock is permissible.

### Change of Control

I would now like to turn to a new and important addition to the federal regulatory framework. As you know, since the time of the 1970 amendments to the Bank Holding Company Act, no bank in this country could be acquired by a corporation, partnership or similar organization without the approval of the Federal Reserve Board. This is now a centerpiece of our nation's bank regulatory scheme. There is a gap in the scheme, however. The federal regulatory authorities have no authority to review acquisitions or changes in the control of banks by individuals. Congress has now chosen to fill this gap.

This bill provides that an individual seeking to acquire control of an insured bank must give the appropriate federal regulator prior notice and an opportunity to reject the acquisition. If the regulator does not act within the specified period, the acquisition can go forward. These provisions reflect an effort to provide the federal regulators with necessary review power while minimizing the effects of the process on the private market.

This is not new ground being broken. A number of states have already charted the way with statutes of their own. What the Congress has done is merely to provide the federal regulator with the opportunity to stop unsafe or unsound acquisitions before the fact. This provision may take on additional significance where the acquiring person is a foreigner. As you know, an acquisition by a foreigner raises difficult, and to some degree unresolved, bank supervisory questions. The new section will provide a focus for the resolution of such questions.

#### Financial Privacy

Up to this point, I have discussed matters that relate principally to the management officials and owners of banks. Let me shift the focus now to bank customers and their relations. The bill contains two provisions of far-reaching significance for the regulation of the customer-bank relationship. The first provision relates to privacy; the second to electronic funds transfers. Both topics are scheduled for further discussion in this program. But this bill changes the rules in these areas so fundamentally that I would like briefly to anticipate the program discussion.

One of the singular accomplishments of this bill is its creation of a comprehensive regime to govern access by federal officials to the banks records of individuals. The development of this regime is part of a much broader

effort on the part of this Administration to address generally the privacy concerns in our society.

Financial records have long been at the center of these privacy concerns. The Supreme Court's decision in U.S. v. Miller in 1976 reinforced these concerns. As you may recall, in Miller the Supreme Court held that a bank customer had no constitutionally protected expectation of privacy in the records of his transactions with his bank.

In this bill Congress has in effect reversed the Miller decision. The bill establishes exclusive procedures by which federal officials may seek access to customer records held by banks and other financial institutions. The bill prohibits a federal official from obtaining, and a financial institution from disclosing to such an official, customer records except in accordance with these procedures.

As a general matter the bill requires that customers be given prior notice and an opportunity to challenge requests by federal officials for access to their bank records. There are a number of exceptions from the general rules and some special procedures for agencies like the Secret Service which have no administrative subpoena or summons powers.

The provisions of the privacy title are detailed and you will have to assure that your clients are in position

to comply with them. This task should be made easier by the knowledge of two points that will surely be of interest to your clients. First, the bill provides that the government will reimburse banks for their costs in responding to information requests. Second, the bill specifically protects banks from civil liability to their customers when the banks respond in good faith to government requests.

The provisions of this bill represent a major development in the law of privacy. Congress has tried to balance the concern for individual privacy with the legitimate needs of law enforcement and the interests of the third-party recordkeeper -- an ambitious but necessary undertaking.

#### EFT

The Congress has addressed another major consumer issue in this legislation--electronic funds transfers. In this bill the Congress has established a framework to define the rights and liabilities of the various participants in EFT transactions. The bill sets basic rules governing such matters as disclosure, written documentation and periodic accounting. In the more contentious areas of error resolution and customer liability, the bill attempts to weave a compromise that protects the interests of the customer and the institution alike.

The Congress has addressed a range of difficult questions in these EFT provisions. In doing so, it has helped to shape the course of development of these important new services.

### Industry Structure

I have touched on two themes that run through this bill: regulation of management and insider relations and regulation of consumer interests in privacy and EFT. There is yet a third theme in this legislation. It is that of industry structure and competitive relationships. I use this term loosely to describe a miscellany of provisions in the bill. The first of these provisions grants a federal chartering option to mutual savings banks. It is a provision that has long been sought by the savings banks. It is also a provision that had been attended by some controversy. Part of the controversy stemmed from a concern that federally chartered savings banks would enjoy a competitive advantage over commercial banks because they would not be restricted by state branching laws.

The compromise ultimately settled upon by the Congress appears to be a felicitous one. Congress has provided that any state chartered savings bank converting to a federal charter would remain bound by the state branching law with two exceptions. First, the converting savings bank would be exempt from any numerical limitation of state law on branch offices or other facilities. Second, the converting savings bank would be permitted to establish branch

offices and other facilities intrastate in its own SMSA, in its own county or within 35 miles of its home office. The second exception is a particularly interesting one. It may contain the seeds of an approach to other branching problems as, for example, in the area of terminal deployment.

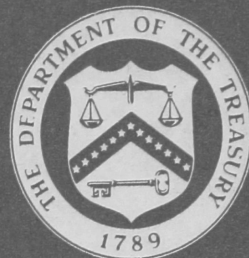
In this legislation the Congress has also taken a major step in expanding the NOW account statute which is presently limited in application to the New England states. This bill extends NOW account powers to New York State. It is a move with tactical import. The extension of NOW accounts to a market as important as New York -- particularly when combined with the new Federal Reserve rules on automatic transfer services -- will surely add momentum to the drive to make NOW accounts available nationwide.

Congress has also taken this occasion to revise the contours of Reg Q. Besides extending Reg Q for two years, Congress has decided to remove the differential on all savings deposits or accounts from which automatic transfers may be made. This approach is consistent with that taken by the Congress in the NOW account statute. Underlying this provision is the Congressional determination that institutions offering substantially similar services should be permitted to compete on substantially similar terms. The trend toward greater competition among depository institutions continues and Congress appears ready to assist such competition as appropriate.

Conclusion

Time has permitted me to mention only the most prominent provisions in this new banking bill. There are other provisions in the bill that may well be of interest to many of you. These I leave to your own exploration.

Congress has taken action through the bill to resolve a number of lingering regulatory issues. In the process, it has both confirmed old principles and provided new directions. In all, it has done its work well.



FOR IMMEDIATE RELEASE  
October 30, 1978

Contact: Alvin M. Hattal  
202/566-8381

**TREASURY ANNOUNCES START OF ANTIDUMPING INVESTIGATION  
OF TITANIUM DIOXIDE FROM BELGIUM, THE FEDERAL REPUBLIC  
OF GERMANY, FRANCE, AND THE UNITED KINGDOM**

The Treasury Department today said it will begin an antidumping investigation of titanium dioxide from Belgium, the Federal Republic of Germany, France, and the United Kingdom.

Treasury's announcement followed a summary investigation conducted by the U. S. Customs Service after receipt of a petition filed by counsel on behalf of SCM Corporation alleging that this merchandise is being sold in the United States at "less than fair value."

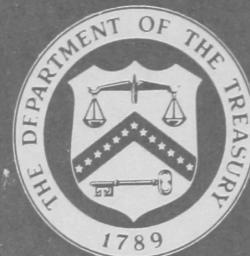
Sales at "less than fair value" generally occur when imported merchandise is sold in the United States for less than in the home market.

This case is being referred simultaneously to the U. S. International Trade Commission. Should the Commission find, within 30 days, that there is no reasonable indication of injury or likelihood of injury to a domestic industry, the investigation will be terminated; otherwise, the Treasury Department will continue its investigation. A tentative determination would then be made by March 18, 1979.

Dumping occurs when there are both sales at less than fair value and injury to a U. S. industry. If dumping is found, a special antidumping duty is imposed generally equal to the difference between the price of the merchandise at home and the price in the United States.

Notice of this action will appear in the Federal Register of October 31, 1978.

Imports of titanium dioxide from Belgium, the Federal Republic of Germany, France and the United Kingdom during 1977 were estimated to be valued at \$8,830,000, \$34,747,000, \$3,543,000, and \$10,861,000, respectively.



FOR RELEASE AT 4:00 P.M.

October 31, 1978

**TREASURY'S WEEKLY BILL OFFERING**

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately \$5,700 million, to be issued November 9, 1978. This offering will not provide new cash for the Treasury as the maturing bills are outstanding in the amount of \$5,711 million. The two series offered are as follows:

91-day bills (to maturity date) for approximately \$2,300 million, representing an additional amount of bills dated August 10, 1978, and to mature February 8, 1979 (CUSIP No. 912793 W7 7), originally issued in the amount of \$3,504 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately \$3,400 million to be dated November 9, 1978, and to mature May 10, 1979 (CUSIP No. 912793 Y4 2).

Both series of bills will be issued for cash and in exchange for Treasury bills maturing November 9, 1978. Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold \$3,090 million of the maturing bills. These accounts may exchange bills they hold for the bills now being offered at the weighted average prices of accepted competitive 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, both series of bills will be issued entirely in book-entry form in a minimum amount of \$10,000 and in any higher \$5,000 multiple, 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, Monday, November 6, 1978. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) 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 in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders 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 on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

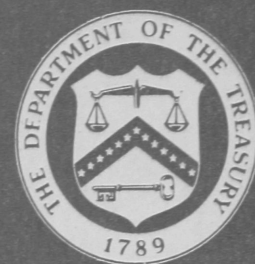
No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, or for bills issued in bearer form, where authorized. A deposit 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. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action 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 weighted average price (in three decimals) of accepted competitive bids for the respective issues.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, and bills issued in bearer form must be made or completed at the Federal Reserve Bank or Branch or at the Bureau of the Public Debt on November 9, 1978, in cash or other immediately available funds or in Treasury bills maturing November 9, 1978. Cash adjustments will be made for differences between the par value of the 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 these bills 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 these bills (other than life insurance companies) must include in his or her 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 Circulars, No. 418 (current revision), 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.



FOR IMMEDIATE RELEASE

October 31, 1978

**RESULTS OF AUCTION OF 3-1/2-YEAR NOTES**

The Department of the Treasury has accepted \$2,512 million of \$7,032 million of tenders received from the public for the 3-1/2-year notes, Series K-1982, auctioned today.

The range of accepted competitive bids was as follows:

Lowest yield	9.33% <u>1/</u>
Highest yield	9.37%
Average yield	9.36%

The interest rate on the notes will be 9-1/4%. At the 9-1/4% rate, the above yields result in the following prices:

Low-yield price	99.766
High-yield price	99.649
Average-yield price	99.678

The \$2,512 million of accepted tenders includes \$1,099 million of noncompetitive tenders and \$1,113 million of competitive tenders from private investors, including 29% of the amount of notes bid for at the high yield. It also includes \$300 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 to the \$2,512 million of tenders accepted in the auction process, \$978 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 15, 1978.

1/ Excepting 11 tenders totaling \$1,435,000

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