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UNITED STATES DEPARTMENT OF

COMMERCE

John T. Connor, Secretary   Washington, D.C.

Office of the Secretary

Statement of the Honorable John T. Connor, Secretary of Commerce at a Press Conference, Tuesday, August 17, 1965, 4:00 P.M.

The surplus in the U.S. balance of payments during the second quarter was welcome news. While the second quarter benefited from a number of temporary factors, including the acceleration of exports after the settlement of the dock strike, the achievement undoubtedly also reflects genuine progress under the President's program to improve the balance of payments. A good deal of the credit for this progress to date belongs to the Nation's bankers and businessmen, and all of us commend them for their efforts.

It will be another month before we have comprehensive second quarter data from the 600-odd companies reporting to the Commerce Department under the voluntary program. But a sizable sampling of replies suggests that:

- The repatriation of short-term financial assets by corporations, which amounted to about $240 million during the first quarter, continued during the second quarter. While the pace seems to have slackened, this inflow of funds contributed to the surplus.

- The repatriation of income from developed countries, which has been rising, is being accelerated. Income from direct investment climbed to over $1 billion during the first quarter, and further gains probably occurred during the second quarter.

- The record outflow of direct investment, which attained an annual rate of $4 billion in the first quarter, has clearly slowed down. Yet, because of the substantial volume of projects companies had underway when the program began, it will be well into the year before much of the results of restraint on direct investment begin to appear in the statistics.

As we have mentioned a number of times, when we launched the voluntary program, we were aware of the fact that many companies could not readily postpone or cancel projects without seriously disrupting their operations abroad. For this reason, we urged them to obtain as much as possible of their financial requirements from sources in developed countries. The information coming to us indicates that a large number of corporations are seeking funds abroad, and many are finding accommodation for at least a substantial part of their needs.

Nevertheless, we have urged the companies to make still greater efforts to finance their projects without drawing on their U.S. bank accounts. The need for this greater effort is clear.

Based on replies received by the Commerce Department in May and June, 1965, the plans of U.S. firms for plant and equipment expenditures abroad show a very substantial rise in outlays this year. Overall, the 1965 rate of expenditures is up 20 per cent over 1964. United States firms spent $6.1 billion to expand or replace foreign production facilities in 1964. They expect to raise this by $1.2 billion to $7.3 billion this year.

Most of the step-up in investment plans is by manufacturing firms, which are raising their outlays by $800 million, or about 28 per cent, this year compared to last. This will bring aggregate foreign outlays in the manufacturing industries to $3.7 billion. Gains are reported for all major lines of manufacturing, with notable increases in chemicals and automotive products. Another substantial rise is reported by petroleum companies, which expect to expand their foreign outlays by $300 million to $2.3 billion.

Western Europe continues to attract the greatest share of capital outlays by U.S. firms. In 1965, a rise of about $500 million is scheduled which would lift such expenditures to approximately $2.6 billion. Gains are mainly in the Common Market countries.

U.S. firms are also expanding their capital outlays in Canada, in line with the strong growth rate of the Canadian economy. A rise of about $300 million in 1965 is projected, very largely in manufacturing.

In other areas there is also a general picture of expanding U.S. investment, though the amounts involved are smaller.

More details on these developments will be issued soon by the Office of Business Economics, where the reports are being tabulated and analyzed.

Of course, an increased rate of plant and equipment expenditures abroad does not mean that there would be an equally large amount of capital outflow from the United States. Some of the funds needed will come from growing internal sources of funds of the foreign affiliates, and some will come from foreign capital sources, ranging from bank financing to sales of equity shares of foreign affiliates to the public. But, the very high rate of capital outlays for foreign plants now contemplated by U.S. industry does carry with it the possibility of an increased outflow of funds from the United States.

To avoid this prospect, it is vital that the firms borrow or otherwise raise financial resources abroad on a much larger scale if they are to proceed with their investment plans and still minimize the adverse impact on our balance of payments.

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UNITED STATES DEPARTMENT OF

COMMERCE

John T. Connor, Secretary Washington, D.C.

Office of the Secretary

FOR RELEASE AT 11:00 A.M. MONDAY, AUGUST 2, 1965

ADDRESS BY SECRETARY OF COMMERCE JOHN T. CONNOR AT COMMENCEMENT EXERCISES, U.S. MERCHANT MARINE ACADEMY, KINGS POINT, N.Y., 11 A.M. MONDAY, AUGUST 2, 1965

I am happy that my first official vist to Kings Point occurs on this memorable occasion for you 219 graduates.

And coming as I do from New Jersey, I am proud to see that the No. 1 man in your class also is from my home state. So while I extend congratulations to all graduates, I want to compliment Roger Dreher in particular for continuing the outstanding academic work he started at Marist High School in Bayonne. I know Governor Hughes and the people of New Jersey are proud of Mr. Dreher.

Our country is proud of all of you here today. I know this sentiment is shared by all your relatives and friends -- many of whom traveled very long distances to be present for this occasion.

You graduating cadets have today arrived at a long awaited destination. You conclude an eventful voyage and you embark on another that can be meaningful to you and your country. Shortly you will walk through Vickery Gate where countless liberty passes have been signed over the years. But I suppose some of you probably will go to Cleveland Hall and jump the fence from force of habit.

The cadets you leave behind must envy you, and so do I. I, too, am enamored of the sea. I do my sailing off Cape Cod but, I must confess, in a smaller vessel and with a rank greatly inferior to yours. In our 15-foot Cotuit skiff, my two sons are the skippers and they take enthusiastic advantage of the opportunity to order their crew around. I am the crew.

Despite my ordinary seaman's status, I find few experiences more exhilarating than feeling the bow knife through the whitecaps. To my mind, man's sense of mastery over the elements cannot be equaled in any domain as at sea. So in addition to my best wishes, my heart is with you newly licensed officers today.

I don't need to discuss with you the purpose of the merchant fleet in war and peace. Neither must I expound the history of our country's oldest industry and the maritime tradition that is engraved in our national character. Nor is it necessary to elaborate on the exciting challenges that lie in your future.

You have been studying these things for four years, and if those years at this fine academy had not been productive you would not be members of the Class of 1965.

In the light of the Maritime situation, however, I do want to reassert the nation's interest in a strong, reliable merchant marine--and to emphasize the need for putting the national interest first.

Events in Southeast Asia remind us dramatically of how indespensable it is to have a merchant fleet ready and able.

It is in time of peril that the sharpest focus is on our merchant marine. National survival has often depended upon our capability to move vast amounts of men and materiel to faraway places where freedom is challenged.

We have seen this urgency demonstrated forcefully within the memory of many of us here today, in the two World Wars, in Korea --and now in Viet Nam. In that distant but vital area of Southeast Asia, the United States is fulfilling its commitment to protect the right of people to live in liberty and dignity , free from subversion and naked aggression.

All of us are involved in the commitment.

The Maritime Administration already is reactivating ships from the National Defense Reserve Fleets, at the call of the Military Sea Transportation Service. MSTS is chartering private vessels to supply our forces in Viet Nam. The flow of essential material must and will go on.

And the requirements of Viet Nam could very well determine your initial billets. So this is a crucial situation of distinct personal meaning to all of you.

But it shouldn't be necessary to cite crises in order to underscore the national interest in a healthy merchant marine. The vital, continuing function of the maritime industry is to transport people and products in intercontinental and coastal commerce. By all standards, this is a major industry.

By itself, the maritime industry accounts for $1.5 billion of our Gross National Product. It pays $75 million in Federal and state taxes. It employs 100,000 workers, who themselves pay $80 million in income taxes.

Moreover, the merchant marine is an essential element of the transportation complex which absorbs nearly 20 per cent of the spending which goes into our total output of goods and services. In 1964, this added up to $120 billion, an amount substantially greater than the Federal budget.

This figure alone indicates just how much the cost of transportation affects the cost of everything we buy and just about everything we do.

And that is why the Commerce Department is giving such high priority to transportation research. We want to improve the nation's huge transportation system -- and this includes the merchant fleet -- in order to achieve significant economies in time, money and efficiency. When we do so, we will be able to pour additional resources into a steadily growing economy and thus raise the American living standards higher.

A strong, competitive merchant marine also serves the national interest by helping to overcome the deficit in our international balance of payments, which in the last several years grew to serious proportions.

As a national concern, the balance of payments cannot be overstressed. The dollar must and will be maintained at full value and full strength.

Trade flows on confidence in the dollar, and trade is as essential to our domestic economy as it is to the world economy. Nearly 3 1/2 million American workers owe their livelihood to exports. The role of the merchant fleet in world trade is obvious. And its direct benefit to our payments position is substantial. The U.S. flag fleet conserves millions in dollar exchange every year.

And conserve we must -- in every channel of business, banking and commerce -- for there must never be a doubt about the dollar. It is essential that we alleviate our payments deficit in order to maintain the strength of the dollar and curtail the drain in our gold.

Let's state the case unequivocally: the strength of our national economy and our defense posture rest squarely upon the strength of the dollar. In solving our balance of payments problem a healthy U. S. Merchant Marine can make substantial contributions.

We are making headway in easing the strains on the dollar. As you know, President Johnson developed a program of voluntary cooperation among business and banking executives to bring our international accounts into balance. Businessmen have voluntarily exercised restraint on the investment of dollars abroad, stepped up exports and taken other steps to improve their individual balance of payments ledgers. The results so far are promising. But parenthetically, I want to express regret that American traders who voluntarily committed themselves to a key aspect of the President's program have been thrown off stride by the shipping tie-up. They are the ones who agreed to use U. S. vessels to keep their transportation dollars at home -- and who were compelled to use foreign bottoms instead, or find their cargos immobilized in strike bound ships.

The expansion of world trade and its fabulous potential indicate the importance of maintaining a strong merchant marine. To fulfill that interest, we have a lot of ground to make up. President Johnson made this clear two weeks ago when he said our prosperity and safety through history have been linked closely to our role on the seas of the world, a role we can never neglect. The President added this:

"I believe," he said, "we are all increasingly conscious of the fact that as a great nation, we have been laggard and we have been neglectful in many areas of our transportation responsibilities and our transportation opportunities.

"I am hopeful -- greatly hopeful," the President went on, "that we can in the next few years shake off the effects of these neglected years and move forward to achieve the progress that we are so clearly capable of in every sector, from the highways on which we travel to the high seas upon which we sail."

As Secretary of Commerce, I take that to mean that you and I and everyone connected with the maritime industry are under orders to achieve the progress we are capable of in revitalizing the merchant fleet and enhancing its competitive capability through technology and modernization.

Regrettably, we must admit that the United States does not now rank where it should in merchant seapower. We have been neglectful. We have not acted to meet the challenges of change and our competition. When the world's most active trading nation employs its own ships for only nine per cent of its seaborne commerce, we are lagging behind our abilities as well as behind our competition.

The present state of the Merchant Marine requires this frank assessment of our maritime condition in view of an ever-increasing contribution in the form of subsidies. Since World War II operating subsidies have added up to $1.7 billion. And since the start of the fleet replacement program in 1955, construction subsidies have totaled $600 million.

Clearly, subsidies, in themselves, do not provide the answers to our maritime problems. We have witnessed a decline in our maritime industry despite an increase in subsidies.

President Johnson is determined to strengthen America on the seas. In his State of the Union message he promised a new maritime policy. That policy is developing. About a year ago the President appointed an advisory committee representing management, labor and the public to make recommendations to the Secretaries of Commerce and Labor on matters of maritime concern. The recommendations are taking shape.

In addition, we have created an Interdepartmental task force on maritime policy under the chairmanship of Alan Boyd, the Under Secretary of Commerce for Transportation. The task force is working closely with the advisory committee, and on the basis of their respective findings Secretary of Labor Wirtz and I will soon be in a position to make recommendations to the President.

Secretary Wirtz has described the current weeks in which we have an unfortunate shipping strike as being crucial to the future of this industry. I agree. But I also want to assure you that, despite the enormous problems and despite the skeptics, we are moving toward the development of a more vigorous and versatile, a more efficient and competitive merchant marine.

Our goals must be to stabilize and then improve our merchant fleet.

Now any plan for improvement must be keyed to modernization. We possess the technological know-how to send to sea the mechanized ships so essential to compete with the vessels of other nations. By applying our technology, we hope to cut the costs of building, operating, loading, and unloading our ships. Mechanization aboard ship, of course, means a reduction in crews. But this should not obscure the need. For one thing, normal attrition already is reducing the sea-going work force. We'll have to recruit additional seamen. And for another thing, as we become more competitive with the ships flying the flags of other nations, and as our international trade grows, we will need more ships and thus more men -- men building in the yards and sailing on the seas.

But isn't it the challenge of competition which has made this country the most productive and prosperous in the history of man? Isn't it the challenge of competition which has enabled our system to demonstrate its superiority, by allowing private enterprise to take risks and to exercise the initiative, imagination and ingenuity to convert risks into success? Are we going to continue to be complacent about the fact that ships can be constructed and operated so much more economically by other nations, enabling them to take the shipping business away from us?

In the maritime industry, as in any other, private enterprise must bear the prime responsibilities for stability and progress.

As it is, these burdens are shared by management, labor and government. The immediate interests of each party are not always identical. Management and labor, quite naturally, are concerned with profit and wages. The government's lasting obligation is to all Americans. But I want to emphasize this point: the ultimate responsibilities of each party, one no less than the other, are to the national interest.

In our system of free, competitive enterprise, I would prefer to see a diminishing government role and an expanding private role in the maritime industry. But so long as the government is involved--so long, for instance, as the government is called upon to pay 72 cents or more of every dollar in wages aboard subsidized ships--the voice of of the government must and will be heard.

Now I think we can all agree that neither higher subsidies nor higher rates could by themselves enhance the fortunes of the merchant marine. Much more is required. As President Johnson said in exhorting us to achieve progress in our maritime affairs:

"To do so will require much more than the answer of just money alone. So in all the fields of transportation, our future progress depends upon the willingness of many different groups and interests to cooperate in a manner to which they are not always accustomed."

Only with this kind of cooperation will the national interest be served.

Only then can each of us concerned with the standing of our merchant fleet be able to say he has done his utmost to shake off the effects of neglect.

As men directly concerned, as officers of the U.S. merchant fleet, you will bear high responsibilities. In your hands will be the security of your ship, your crew, your passengers and the millions of dollars in cargo that you carry. These are life-and-death responsibilities assumed by few other Americans. But your commitment does not end on the bridge or in the engine room. I urge you to view your duties as far more than an exercise of professional skills. View them in the perspective of national needs and national purposes.

For only with that perspective can we truly restore America to its proper place in the high seas.

Thank you, good sailing, and Godspeed.

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UNITED STATES DEPARTMENT OF

COMMERCE

John T. Connor, Secretary Washington, D.C.

Office of the Secretary

FOR RELEASE AT 1:00 P.M. MONDAY, AUGUST 9, 1965

ADDRESS BY SECRETARY OF COMMERCE JOHN T. CONNOR PREPARED FOR DELIVERY BEFORE THE SECTION OF INSURANCE NEGLIGENCE AND COMPENSATION LAW OF THE AMERICAN BAR ASSOCIATION, DEAUVILLE HOTEL, MIAMI, FLORIDA, 1 P.M. MONDAY, AUGUST 9, 1965.

Every few months our newspapers report the latest misadventure of an elderly British lady who has been trying for many years to obtain a driver's license.

Recently, after she had caromed off three parked cars, plunged through a geranium bed, and roared out the wrong way into a one-way street, the official who was giving her the test emerged from the car, shook himself, and murmured reproachfully:

"Madame, this is madness."

Now there was negligence in this, and I hope that there was insurance -- so that the owners of the parked cars and the geraniums could obtain compensation. But it occurs to me that, until fairly recent years, business and government in America -- which have to operate this economy of ours in tandem -- have had little reason to turn up their noses at this little old British lady.

Some of us here are old enough to remember how both business and government kept a heavy foot on the accelerator throughout the 1920's -- and to remember the crash that followed in 1929, and the many years it took to put our shattered economy back together again.

We've done a lot better since World War II. We've had no depression like that of the 1930's, and I see no reason why we should.

But good driving is more than just avoiding a total smash-up. If you saw a car speeding up and slowing down without rhyme or reason, stopping and starting and stopping again and even going into reverse, you wouldn't call that good driving.

And, particularly, you wouldn't call it good if, from time to time, the driver slammed on the brakes so hard that he and his passengers almost went through the windshield -- in fact, might well have done so if it weren't for their safety belts.

The so-called built-in stabilizers have functioned as the equivalent of safety belts in our post-war economy. These are unemployment compensation, social security, and -- perhaps most important of all, a tax structure which, in a downturn, results in the tax bite on personal and corporate incomes decreasing more rapidly than these incomes.

They have not prevented ups and downs, stops and starts in our economy -- but they have considerably cushioned the shocks.

It is much better however, to drive so that you don't have to depend upon safety-belts -- and that is what we have succeeded in doing in the past few years.

As I speak here today, we are enjoying the 54th month of steady and sustained economic growth -- a full four-and-a-half years.

That has been good for the manufacturer, good for the merchant, good for the wage-earner, good for the farmer -- and good for us lawyers, too.

As I see it, a major reason for our success in the past four-and-a-half years -- and for confidence that it will continue -- is that business and government, working harmoniously in tandem, have shown that they are capable of smooth and reliable driving -- a touch of the accelerator when required, a timely and gradual application of the brakes when needed.

This Kennedy-Johnson Administration began its fruitful cooperation with business by putting through an investment tax credit and new depreciation guidelines.

These were controversial measures at the time. Some people said that businessmen wouldn't take advantage of the opportunities for modernization and for increasing capacity that they offered. Others were afraid that they would take advantage of them, and that we'd be saddled with a lot of over-capacity.

The results showed that the prudence and foresight of American businessmen had been under-estimated and under-rated. The up-dating, the new capacities built into our economy as a result of the 1962 measures have proven invaluable.

By forestalling bottlenecks in our productive system before they'd had a chance to form, they've helped mightily in maintaining the stability of our wholesale price index. In June, it stood at only 102.8 per cent of the 1957-59 average, up only 2.8 points in six years or more.

That built-in capacity, moreover, will enable our economy to meet the requirements of Vietnam without breaking its stride.

A year later, in 1963, a truly bold departure in economic policy was proposed--that we enact a deep cut in taxes at a time when our Federal budget was in deficit.

Some people thought this was contrary to all common sense.

Well, sometimes the common sense thing, the instinctive reaction, isn't the right thing to do--in fact, it may be disastrous.

If a driver is inexperienced, and his car skids, he's all too likely to do the instinctive thing--straighten out or slam on the brakes.

That's likely to mean that some insurance company will have to pay up plenty.

A good driver, when he feels the car skidding, does <u>not</u> do the instinctive, the common-sense thing. He steers <u>into</u> the skid, thus regaining control of his car.

Equally, when the economy seems to be skidding a bit, the worst thing to do is to slam on the brakes. What's needed then is more power from the accelerator.

The proposal of a deep tax cut with the budget out of balance was a revolutionary one. I'm sure it wouldn't have gotten anywhere if some far-sighted and influential businessmen hadn't given it their whole-hearted support--such as my good friends Henry Ford II, Stuart Saunders, and many others.

The proposal was thoroughly debated in Congress and outside--and rightly so. In matters of government, we are a prudent people, and we like to weigh new departures very carefully. In these matters, we're all from Missouri--we have to be shown.

In fact, the tax bill was before Congress a year and eighteen days before it was enacted.

The day that President Johnson signed the tax cut into law--February 26, 1964--was a milestone in our economic history.

It marked the recognition that, while a balanced budget is an important and worthwhile objective, a balanced economy is needed to help achieve it.

In times of inflation, a budget surplus operates as a safety brake, keeping the economy from speeding up out of control.

In times of full employment, a balanced budget is in order.

So long as unemployment and unused resources exist--that is, so long as deflation rather than inflation is the threat--a budget deficit in manageable proportions provides a needed and essential stimulus.

That is how Congress saw it this year, when it enacted the excise tax cuts.

In signing these latest tax cuts into law, the President warned that they would make their maximum contribution to the economy only if businesses passed along to consumers the full amount of the reductions. He said: "I urge every manufacturer and every retailer in this country to do just that."

Here again, according to our first reports--which concern automobiles and room air-conditioning units--business is cooperating wholeheartedly.

One of the consequences of the type of steady, sustained economic expansion we've achieved in the past 54 months is that, every year, the Government can expect to receive, with the same tax structure, something like $7 billion in additional Federal revenues.

You might, in effect, call it an annual dividend for good driving.

There are a number of things we can do with this $7 billion. We can draw upon it for unexpected expenditures, such as the President has recently warned us will be required by the situation in Vietnam.

We can take it in tax cuts, or in increased expenditures on public undertakings--our schools, our hospitals, our transportation system, refurbishing the blighted areas of our cities, cleansing our streams and conserving our other natural resources.

The one thing we mustn't do with this $7 billion, except in periods of actual or potential inflation, is nothing at all. If we don't spend it or give it back to our citizens in tax cuts, it will act--again except in times of actual or incipient inflation--as a "fiscal drag" on our economy.

This is something that the people who have urged an immediate halt to all new domestic expenditures have failed to take into account.

As it now looks, the situation in Vietnam may compel us to put off some things we might have hoped for otherwise--like another tax cut next year. But it's premature now--the facts just aren't available--for the President to conclude on this, one way or the other.

With our manufacturing industries producing at 88 to 89 per cent of our capacity, and unemployment running at 4.7 per cent, there is no substantial danger of inflation, but that remains a matter of constant and serious concern.

We must remember that our economy is a dynamic, not a static, one.

It is powered by research, by automation, by technological progress, by marketing and distribution innovations, and by free and vigorous competition constantly compelling the prompt application of the most modern and efficient techniques.

It has--and it has had for many decades--a giant's strength. The new thing is that we are learning better how to manage and direct that power, so that we can move forward with sustained speed and drive.

I think we might well call it our dynamesh economy, because it meshes together all the productive and creative sectors of our economy--business, labor, the professions, agriculture, and government--in a dynamic balance of forces.

This economy is, in the last analysis, the basis of our power and claim to leadership in the world. And I am confident that with the continued and cooperative efforts of all the important elements of our society, it will meet any test to which it may be put.

Thank you.

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UNITED STATES DEPARTMENT OF
COMMERCE
John T. Connor, Secretary Washington, D.C.

Office of the Secretary

FOR RELEASE AT 2:00 P.M. TUESDAY, AUGUST 10, 1965

REMARKS BY SECRETARY OF COMMERCE JOHN T. CONNOR PREPARED FOR DELIVERY AT "DISCOVER AMERICA" CONFERENCE, SHERATON PARK HOTEL, WASHINGTON, D. C., 2 P. M. TUESDAY, AUGUST 10, 1965

First, I want to commend each of you for the interest you have taken in this special effort to promote travel by Americans in America.

And I hope that your confidence in the outcome equals mine. We have everything going for us.

For a product, we have the most fascinating and most dependable in the world to sell -- the United States.

For a market, we have our own fellow citizens, who already identify themselves with the magnificence of the U. S. A. And, of course, we have all those in other lands who are encouraged by the travel industry and the "Visit USA" program of our Travel Service to satisfy their desire to see the persons and the places of the most prosperous, most dynamic nation in history.

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For a situation, we could ask for none more favorable in which to advance the invitation to Discover America. In this period of cultural renaissance, a new interest has awakened in the history and the people and the environment of our society. Our task is to point out the most obvious avenue to fulfillment of that interest -- the avenue of personal discovery.

As for the reasons for undertaking this task, they extend beyond those that are usually stressed. We know that travel is a rich source of education and recreation. We know it is one of the most rewarding of all pursuits of leisure time. But aside from this, we have a solid reason for promoting travel in the pure economics of it.

President Johnson was thinking of the economic necessities raised by the deficit in our balance of payments when he set this program in motion several months ago with the statement that:

"Today our encouragement must be directed to travel in the United States, both by our citizens and by our friends from abroad."

I am sure I don't need to explain to you the urgency of correcting the deficit in our balance of payments. As you are well aware, the impact of our travel deficit -- the net outflow of travel dollars -- upon the over-all imbalance in our payments position stirred us into the action we are carrying on at this meeting.

Vital as it is, the balance of payments is only one factor in the economics of tourism. The others are plain, old-fashioned economic truths that underlie profit in any business. They need only be translated into the terms of tourism.

Many countries regard tourism as a major national resource. It is in the United States, too. Travel in this country is a $30 billion-a-year industry. But too many businessmen and civic leaders have failed to recognize tourism for the major resource it is for the United States--as it is for many other nations.

We have an incomparable asset in the beauty, the recreational wonders, the history, the tradition, the diversity and the magnitude of the U.S.A.

It is merely good business to exploit it with all the energy and initiative we possess.

A national endeavor to excite interest in discovering America will in turn enable every community with scenic, historical or recreational attractions to promote its individual assets. By doing so, each of these communities can improve its own economy--and in terms of dollar inflow, to improve its local balance of payments position.

It has been estimated that a community which attracts only a few tourists every day of the year can gain as much from this source of income as it could by acquiring a new factory with a payroll of $100, 000.

Economists have calculated that every travel dollar multiplies three times as it moves through a local community--from restaurants and shops to the banks and utilities, the wholesalers, and all along the economic line.

These travel dollars are not easily come by. They have to be sought out, not only by the travel industry itself but by every industry with pride in its own community and concern for its welfare. And they must be cultivated by community leaders who are determined to provide the services and create the warm, hospitable atmosphere that attracts visitors.

This, it seems to me, is both good economics and good citizenship.

Our Travel Service and the entire Department of Commerce are pledged to that kind of economics and that kind of citizenship.

And I am certain that each of you joins us in that pledge.

Thank you.

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UNITED STATES DEPARTMENT OF

COMMERCE

John T. Connor, Secretary Washington, D.C.

Office of the Secretary

FOR RELEASE AT 11:00 A.M. FRIDAY, AUGUST 13, 1965

REMARKS BY SECRETARY OF COMMERCE JOHN T. CONNOR AT THE INITIATION OF THE ADVERTISING COUNCIL CAMPAIGN ON THE BALANCE OF PAYMENTS PROGRAM, OVERSEAS PRESS CLUB, NEW YORK CITY, 11 A.M. FRIDAY, AUGUST 13, 1965

I should like to begin by acknowledging the public service of the advertising industry and the communications media in launching this effort in support of President Johnson's balance of payments program.

I imagine there are very few people in the country who haven't seen the seal of the Advertising Council--on a subway card, on a bus, on television or radio, in a newspaper or a magazine. But I'll bet there are very few people who really know how the Council operates, that it is supported entirely by private business, drawing upon talents volunteered by the advertising industry, utilizing time and space donated by the communications media, employing the imagination and energy of key people in the business world.

We might conclude from this that the Council is expert in advertising everything except itself. The fact of the matter is that the Advertising Council takes real satisfaction in lending its influential voice to public causes rather than to itself.

The unique contribution of the campaign we are launching today is that it is directed at an enemy that our Government alone would find very difficult to fight. That enemy is complacency--the notion that we can rest on our monetary and financial oars simply because we have achieved a surplus in our international payments for the second quarter of this year.

The plain and simple truth is that the balance of payments problem--as a major, long-term problem facing the nation--is a long way from being solved. One swallow does not make a summer, and one surplus for one quarter of one year does not make a long-term success. What the second quarter does indicate is that the President's program to alleviate the balance of payments problem is a workable program, and one that will produce effective results if we all work together with understanding and cooperation. We think that we now have the full understanding of the business and banking communities, of the importance to the Nation, and to them and their business interests, of eliminating the deficit in our balance of payments. And certainly we have had their full cooperation in carrying out the President's voluntary program. They have responded in a most heartening manner, and all Government officials from the President on down are pleased with the results so far.

Continuing success is by no means guaranteed, however. There are a number of factors which prevent us from simply projecting the second quarter surplus into several years of sizeable favorable balances.

Part of the second quarter surplus derives from "one-time" returns of funds from overseas by corporations under the President's voluntary program. In the second quarter we got the benefit of exports that--but for the longshoreman's strike--could have been in the first quarter. The tourism gap is obviously still with us. The situation in Vietnam requires an increase in Government spending overseas. Imports are rising at a higher rate than exports. These developments indicate that we must persist in our efforts to curtail the dollar outflow. The battle of the dollar is far from won. We must stay mindful that there is a difficult road ahead with many turns. History has demonstrated time and again the tricky and troublesome character of the balance of payments. It's like a balloon--you squeeze it one place and it bulges elsewhere.

It is this very fact--the complex and long-term nature of the problem--that places the Advertising Council campaign in proper perspective. The balance of payments problem was dramatically brought to public attention during the presidential campaign of 1960. The problem came into the news from time to time, and then President Johnson outlined his ten point program to solve the problem in a special message to Congress in February of this year. Announcements of changes in our gold position inevitably make headlines on the financial pages every now and again.

Such dramatic developments focus public thinking on the problem, but only from time to time, and in a spotty manner. Over the long run we cannot rely on a succession of events of unequal importance to sustain the level of interest that is required. We are in for an undramatic, difficult, continuing struggle. For real public understanding, we must depend on the persuasive reiteration of the campaign we are launching today. The nation's balance of payments problem must be taken into account in our decision-making, public and private, for some time to come. It has always been true that the best guarantee of solving any national problem is public understanding. The objective of the Advertising Council campaign is to win general understanding of the payments problem and with it the long-range solution of the deficits.

We intend to lift the problem out of the pages of the economics journals and place it squarely where it belongs--in the pocketbook of every American citizen. Because that is what the issue is all about. The balance of payments program is literally designed to keep the American dollar "as sound as a dollar."

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