

UNITED STATES DEPARTMENT OF
COMMERCE

John T. Connor, Secretary

Washington, D.C.

Office of the Secretary

FOR RELEASE MONDAY, MARCH 1, 1965

Welcoming Remarks by Secretary of Commerce John T. Connor at Department of Commerce Conference on the Patent System, Gramercy Inn, Washington, 9 A.M. Monday, March 1, 1965

First of all, I would like to thank all of you for participating in this conference. With the wide range of interests represented here, I am confident that we will have a very useful exchange of views on the operation of our patent system.

Our patent system is the best in the world. But I think it needs to be better understood and improved. Our backlog of patent applications poses a threat to the whole system. It takes three years to complete the action on most of these applications. This is better than the four years it takes in West Germany or the five years it takes in Japan. But it is still much too long if our patent system is to make its most effective contribution to our industrial progress and our free enterprise system.

Naturally I have a keen interest in the patent system because of my many years of experience in an industry which has a strong research orientation. I know from my own experiences how vitally important patents are to the stimulation of the research and development work that produces our new products, new industrial processes, and strong growth industries.

For 175 years, we have had abundant demonstration of the powerful incentive our patent system provides. Eli Whitney's cotton gin, on which one of the earliest patents was issued, and McCormick's reaper, which was patented in 1834, have had tremendous impact on our nation's development--helping to make us the world's leading producer of food and fiber.

Samuel Morse's patent on the telegraph in 1840 paved the way for the development of our whole complex world communications system. Thomas Edison's 1880 patent of the incandescent lamp not only brought new light to our homes. It also gave great impetus to the electrification of our entire industrial system.

The more than 3 million patents we have granted in the last 175 years have enabled the United States to become the world leader in science and technology. They have also given the American people the highest standard of living in the world.

Patents, copyrights, and trademarks rank very high in my estimation among the property rights that have enabled us to build the greatest economic engine in human history. The granting of these property rights, authorized by the Constitution itself, has proven to be the key to unlocking both the creative talents of our individual inventors and the vast creative potential of our modern corporate research laboratories. They offer the same indispensable incentive that makes a man put his sweat and money into developing a piece of land which he owns. He wouldn't do it, with anything like the same drive and enthusiasm, if he were not--through a title to the property--assured of his right to the ultimate fruits of his investment of labor and money.

These patent property rights have been granted in many societies over the last several hundred years. But ours is the world's oldest effective, systematic protection of these vital rights. Our industrial progress has been spurred continually and powerfully because the protection we offer is good enough to make the inventive effort worthwhile. It is also good enough to eliminate the need for secrecy to protect inventions. So we have been able to induce our inventors to make their technical advances known, and thus enable others to build and improve on the latest technology.

It is imperative, I think, that we assure the continued operation of these effective incentives to further economic growth. To accomplish this, we must see that our system is well administered. And I think we are fortunate in having Commissioner Brenner, the first man from industry ever to head the Patent Office--and in having as our over-all supervisor of our scientific and technological agencies, Dr. Holloman, another man who has personal experience with the needs of modern industry.

We must do everything we can to provide prompt, predictable protection for the inventor--so our patent system can remain an effective incentive to invention and innovation. We must also see that the technology embodied in these inventions and innovations is disclosed at the earliest possible date.

To do this, we must have broader understanding of our patent system and, I think, a much fuller appreciation of its capacity to adapt to changing conditions. The pace of innovation has quickened; it is increasingly difficult to achieve adequate searches of the available literature; and the resulting backlog of applications presents a serious domestic challenge to our patent system.

We also face a changing international patent picture. Many European nations have adopted or are considering the adoption of a deferred examination system. Patents have taken on global proportions because they have a critical impact upon international trade. And many new countries, as well as some of the older ones, are in the process of developing new patent attitudes and procedures--which can have long-range impact on international business and our free enterprise system.

The responsibility for the maintenance of an effective U.S. patent system falls on many shoulders. And you here today represent those various areas of responsibility.

We in the Executive Branch, of course, are responsible for the efficient administration of our patent law. The Congress has the responsibility for legislative review with the eye to improving our patent law. The courts have an especially heavy responsibility for prompt and fair enforcement of these laws.

Industry is challenged to utilize fully the opportunities the patent system creates for greater research and development. Our colleges and universities have an obligation to convey to their students the importance of the patent system and the opportunities it offers in our free economy. The patent bar has broad responsibilities overlapping all of these areas.

Together we have both the duty and the opportunity to see that our country continues to be the world leader in science and technology, and that our patent system continues to be the spur of a rapid rate of economic growth. I hope this conference will strengthen our commitment as well as our understanding of this responsibility and opportunity.

It is a pleasure to welcome you to these sessions today, and to assure you of my active personal interest in the future of the Patent Office and our patent system.

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Office of the Secretary

FOR IMMEDIATE RELEASE TUESDAY, MARCH 2, 1965

Statement by Secretary of Commerce John T. Connor on the
Economic Situation read at News Conference Tuesday
Morning March 2, 1965

Generally, the economy is moving ahead briskly.

The major impetus is coming from record high rates of steel operations and continued strength in auto sales.

The 1965 prospects for business investment in new plant and equipment appear to be even more buoyant than earlier reported.

The most recent OBE-SEC survey as of last December showed a projected annual rate of plant and equipment expenditures in the first half of this year at 8 percent above the full year 1964.

However, a private survey just completed indicates that expenditures for 1965 as a whole are now projected at 12-14 percent above 1964; the increase in 1964 over 1963 was 14 percent.

The President's announcement that he is liberalizing depreciation rules, which will result in an overall tax saving for business firms of \$700 million, should give a further lift to investment outlays.

Retail sales in January and so far in February have continued at high rates, around 6 percent above a year ago.

This is about 1 percentage point better than we would expect from the rise in personal income.

And the better showing is explained, in part, by the 1964 cut in personal income taxes which has left more spendable income in the hands of consumers.

Inventory accumulation so far this year has continued at higher rates than in the closing months of last year--mainly as a result of record rates of passenger car production and steel output.

In January, the annual rate of domestic car sales was 9.5 million and the rate in the first 20 days of February was close to this.

These annual rates compare with total domestic sales in 1964 of 7.6 million.

Despite brisk sales, however, inventories of cars held by auto dealers have been increasing slowly in the past several weeks.

Inventories of steel held by consumers, warehouses, and producing mills have been rising at a rate of one million tons per month during the last several months.

However, it would appear that the impact of the steel accumulation this year will not be so great as in 1962 and 1963, when steel accumulation was also large as a result of hedging against possible strikes in those years.

But despite these recent increases in stocks, the stock-sales ratio remains very low for most industries.

Housing starts are the only major cloud in the economic picture.

On a three-month average basis, housing starts have been trending down for over a year.

But in the past four months there has been a moderate strengthening.

This--and the performance of housing permits--suggests that residential activity may soon stabilize and later in the year may actually improve somewhat.

The dock strike has affected our exports materially.

However, no actual data are as yet available for any period of 1965.

Reviewing the 1962 experience, when there was a dock strike in January and taking into account the longer strike period this year, it would appear that it will take about five months to make up the effects of this year's work stoppage.

A small amount of exports, mostly of agricultural foodstuffs and industrial supplies, may not be made up at all because alternative sources were used.

That strike, therefore, will have had an irrevocable effect on the nation's economy.



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Office of the Secretary

For Release Tuesday A.M., March 16, 1965

Address by Secretary of Commerce John T. Connor Prepared for
Delivery Before the Economic Club of New York at the
Waldorf-Astoria Hotel, New York, 8:30 P.M. Mon-
day, March 15, 1965.

It is not necessary for me to tell you how much I appreciate the invitation to be back with so many old and valued friends. I was especially glad to accept at this time because of the opportunity to discuss a matter of critical importance not only to the United States but the entire free world.

I refer, of course, to the voluntary cooperation program that we in Commerce are setting up with American industry to improve the U.S. balance of payments situation.

Its success also is vital to continued high level employment. Here I refer to the Secretary of Commerce keeping his job.

In the four weeks since its announcement by the President, the program has collected a few brickbats as well as a number of bouquets. But we appreciate the friendly and constructive spirit in which all were thrown--and in that same spirit I may toss back a few myself tonight, in about the same proportion.

More importantly, however, I want to try to define the significance of this program and to project its meaning in the larger context of national and world affairs. For it is an outstanding example of the increasing responsibilities that business is shouldering to help attain vital national objectives. And it is related to the effort of American business to help bring the fruits of industrial society to all nations who share our desire for peace and freedom.

You are all acquainted with the problem the program seeks to correct. But I want to emphasize its seriousness. The nagging deficit in our international accounts has persisted since the mid-1950's. Despite improvement over the past four years, accompanied by increased confidence in the dollar, we still ran a \$3 billion deficit on our regular transactions in 1964. We cannot permit a deepening deficit to develop or the present gold drain to continue. Therefore our balance of payments deficit has become an urgent problem.

We in government are confident that this new balance of payments program will bring a reasonable equilibrium to our international accounts very soon. The assurances that the business and banking communities have given us indicate that the private sector also thinks it will turn the trick.

But to tell the truth, our faith is not shared in some very respectable quarters--especially ivy-covered quarters.

The distinguished Harvard economist Professor John Kenneth Galbraith told the Congressional Joint Economic Committee, "I am dubious about the voluntary aspects of the proposal."

And he continued:

"This is the normal recommendation of those who seek to avoid arbitrary action. It is also the normal reaction of those who hope that nothing will be done.... Fair and equitable rules fairly enforced, which are a very old idea, are much better. Other countries employ them to control capital outflow; we shall probably have to use them too, and better sooner than later. To place matters like this on a voluntary basis with businessmen is much the same as putting the closing of veterans' hospitals on a voluntary basis with senators."

Now without the slightest prejudice as to senators voluntarily closing hospitals, I disagree with Professor Galbraith's implication that this program will not work nor produce adequate results. In fact, I prefer the prognostication of that great sage and philosopher Sidney Weinberg, who says that many people in Washington and Europe are going to be surprised at the achievements of American business in this program.

I may be short on textbook economic theory, but I am long on confidence in the patriotism and good sense of American businessmen. I just don't believe they're going to let the President of the United States down when he seeks their cooperation on a matter of such grave economic importance to this nation.

I am convinced that businessmen recognize the acute need for a solution of this problem no less than government.

And I believe the mature American business community has the self-discipline required to make this particular program work. And also the judgment of their own self-interest.

American businessmen appreciate the importance of the dollar as a medium of exchange in commerce throughout the world.

They know that trade flows on the buoyant power of confidence in the dollar. And they know that the continued growth of the domestic economy depends on the uninterrupted flow of trade in the world economy.

They know that a sound dollar enables them to make profitable investments abroad.

They know that the continued stability of the international monetary system depends on our firm pledge to maintain the dollar as good as gold, freely convertible at \$35 an ounce.

They know that for us to carry out this pledge the dollar must have the continued backing of the largest gold reserve in the world.

And they understand that all these conditions depend on their cooperative efforts to bring an end to the balance of payments deficit.

As to our reasons for making this program voluntary, the critics seem to have missed the point entirely.

We made the program voluntary not because government is timorous or irresolute in the slightest degree. In a matter of such grave importance, I think the American business community expects government to take every action necessary to correct the situation.

We put it on a voluntary basis because we believe this method will produce greater results in less time than the rigid, arbitrary controls which others have recommended.

We believe its voluntary aspects will release the creative abilities of hundreds of companies to come up with ingenious solutions tailor-made to their own operations. And we believe this is greatly preferable to the straitjacket approach which can work real hardship on some firms. We prefer a program in which business joins with government to halt excessive

capital outflows by plugging loopholes, over a rigid set of rules that would encourage and often impel companies to seek loopholes.

We believe that business appreciates, and will respond to, a program that maximizes freedom of decision and action.

And that's what this program does.

It gives the participating corporations the freedom to devise their own methods of contributing to the overall result. And the result is what we're interested in, not in the particular ingredients corporations use in their own individual mix.

Some will want to place heavy emphasis on export expansion, either through independent channels or to and through their foreign affiliates. Others will want to repatriate some of the capital sent abroad on a short-term basis. Still others will accelerate the repatriation of income earned abroad. Or they might take some combination of these and other measures.

With regard to direct investment in developed countries, some firms will want to reduce or postpone such investment in projects which do not soon result in higher exports or larger investment incomes. Or they will want to make greater use of funds raised abroad to finance these investments.

Right here I would like to suggest that foreign affiliates may be able to contribute substantially to a solution of the deficit problem by distributing other products manufactured in the U.S. by their companies or the exports of other U.S. based companies. They have the warehouses, the organizational setup, and a knowledge of the market that enable them not only to engage in a profitable undertaking, but to help expand American exports generally. I would like to see a high priority of management responsibility given to an aggressive effort along this line.

But I do want to emphasize as strongly as I can that this balance of payments program recognizes the tremendous contribution American direct overseas investment has already made to a solution of the problem.

We've all heard a lot of loose talk lately to the effect that the deficit can be attributed mainly to excessive direct overseas investment.

This is pure bunk.

The fact is that were it not for such investment our situation would be far more critical than it is.

And our Department of Commerce happens to be the agency that has the facts. In 1963, overseas U.S. private investment, which then totaled \$66.3 billion after some years of build-up, returned \$4 billion in earnings, dividends, royalties and fees. And a new survey by our Office of Business Economics shows that at least \$5 billion of U.S. goods in 1963 were sold to or through the foreign affiliates of our industrial companies. That's nearly one-fourth of all U.S. exports that year. Translated into jobs for American workers, that \$5 billion in export sales gave employment to about 670,000 people in the United States.

And looking ahead, we can see a substantial rise in investment income. My testimony before members of the Senate Banking and Currency Committee last week showed that the income remitted to the U.S. from our direct investments alone has risen from \$1.3 billion in 1950 to \$3.6 billion in 1964, and comparable increases can be projected for the years ahead.

The beneficial effects of our investments to the economies of the countries abroad are no less great than those to our country. Our overseas manufacturing enterprises alone had total sales of over \$31 billion in 1963, adding substantially to the economic well-being of people around the globe. As the living standards of those nations have risen, their people have be-

come better customers for quality American products of all kinds. This is reflected in the 30 percent increase in the total U.S. exports over the past four years.

But none of these figures reflects the many important intangible benefits of overseas investments. These include the stronger competitive position of U.S. based industry which might have been shut out of some foreign markets completely. Another benefit relates to the fact that much overseas investment is in the extractive industries which supplement our own supplies of oil and ore or which supply raw material we do not possess at all.

But on this whole subject of the benefits of overseas investment, management must begin to speak out. The erroneous impression in the minds of many people that such direct investment is primarily responsible for our deficit can be damaging to both the nation and the entire free world. All that's needed is to display the facts in the market place of opinion, and I have no doubt that the good sense of the American people will enable them to reach the right conclusion.

A most important part of the story is how such investment has strengthened the free world by aiding our friends and allies around the globe. It can be told in both economic and human terms.

A prime example I happen to be acquainted with is the General Motors automobile operation in Australia. I recently had the opportunity to review some of the benefits of the Holden enterprise, and it is a truly inspiring story.

Including dealer outlets and direct suppliers, that operation provides a livelihood for about 74,000 Australians and their families. Many of these have emigrated to Australia from other countries, bringing with them different skills in many fields, and through their diverse cultures adding to Australia's maturity as a leading member of the community of nations.

As a principal means of passenger transportation, the Holden has helped Australians achieve a new mobility, enlarging their recreational pleasure and providing greater scope in the location of home and job.

GM-Holden's economic impact has been equally far reaching. Not only has the operation attracted new companies to Australia to provide components for the vehicle, the very fact that General Motors embarked upon extensive manufacturing there gave confidence to other overseas investors and promoted the inflow of additional capital for Australia's development.

These are but a few benefits to Australia and its people resulting from this investment of American capital. And their prosperity in turn has added to the economic muscle of the whole free world.

In addition, the United States enjoys a highly favorable balance of trade with Australia. Our exports last year totaled about \$626 million, more than double our imports from that country. It is unlikely that the Australians could have bought such large quantities of American goods without the increased living standards that American investment contributed to so handsomely.

But I hope this story and others like it are told to our people in a concerted educational campaign on the subject of overseas investment benefits.

Our corporations owe it to themselves and to the nation to get such a drive underway before the loose talk on the subject gains even wider credence.

The same point about the need for more public discussion may be made about the wage and price guidepost program. Many business men complain privately that the wage guidepost of an average yearly increase of 3.2 percent has really become the minimum expected by labor leaders in their negotiations. Further, they complain that the suggestions made to some business people to reduce their prices just before going to the bargaining table are quite unrealistic. They say that no sensible management official will reduce prices based on past profits, but will insist that he will want to know what his wage and other cost projections will be in the months ahead, as well as the probable market demand for his products.

As a member of the Administration I want to make it clear that I support the use of the guideposts, as well as other policy matters in the President's program. But I am sure that the President wants our business leaders, and our union officials, to make their views known about the guideposts and other important national economic programs so that any needed improvement in them may be made.

How many businessmen are going up on Capitol Hill to give their views on these subjects? I know some have done so, but not nearly enough. We in Washington need the benefit not only of your private criticisms but of your constructive alternative proposals, voiced loud and clear in public.

If business wants to open the eyes of Americans as to its real needs and aims, it must launch a program of corporate communications far more intensive than anything yet undertaken. And I am confident that every element of our society will give its story a fair hearing.

Certainly it has a grand story to tell. Never before has business contributed so much to the welfare of so many millions, both in our country and abroad.

But there are people, some in high places and including some businessmen, who have failed to recognize the historic transition of the role of business in the past few years.

Right here, I think, we get to the underlying reason for these doubts about business helping in this balance of payments program. For many of these people still cling to the memory of business's performance in an earlier and less enlightened time. We all know that in some cases it left much to be desired.

But we live in the present, and I like to emphasize the notable era of public service that business has well underway.

The record is plain.

World leadership, which imposed such vast obligations on our nation, also multiplied the responsibilities of American business. And in its central role as the organizer of our unmatched production and distribution system, business has met those responsibilities in a way that has shaped the course of world history.

For it is the American free enterprise system, underwriting the economic and military security of the entire free world, that has confounded the Communists at every turn.

It is our system, and the standard of living it has produced, that the world seeks to emulate. It is our system, not Communism, that is the wave of the future. It is our system, not socialism, that will finally lift the burdens of ignorance, poverty, and despair from the shoulders of suffering mankind.

I am confident that this voluntary balance of payments program will once again prove the superiority of our system. It will demonstrate that the individual economic decision-making by private corporations is superior to economic decree by monolithic government.

Here in our country, as the external challenges have grown, the internal barriers separating the divergent elements of our society have come tumbling down, one after another. Today we have an American "common market of purpose" that quite rapidly is being extended to every section, every segment of the economy, and to every race, creed and color among our people. The links in the lives of all of us are closer than ever before in our history, and they will get even closer as the days go on.

It is on these facts, and on the assurances of my friends in the business world, that I base my confidence in this voluntary balance of payments program. Those who hope for a weakness in the dollar hope in vain. The United States Government and the American business community are joined in a united effort to upset those hopes. The dollar is, and will continue to be, as good as gold.

This past weekend I mailed each chief executive officer of some 600 corporations participating in the balance of payments program a formal communication requesting his best estimate of how many dollars his firm can contribute this year to the solution of our international payments deficit. I know many of you were among them, and I am confident that you will go "all out" in committing your companies to the maximum possible contribution.

In closing, I want to say that we in government are grateful for the business community's unqualified pledges of support. I want especially to thank Al Nickerson and his associates on the Balance of Payments Advisory Committee for their guidance in getting the program underway. We shall be calling on them continually for counsel as it progresses.

So America turns today, as it has in so many critical periods of peace and war in the past, to our business leaders to shoulder a burden no one else can carry. I am confident that President Lyndon Johnson's trust in your patriotism and sound judgment will be fulfilled to the last measure.

You will meet this test in the same spirit of freedom that has produced the greatest nation in all history and that offers hope to all the world for peace and progress.

A bright new chapter is about to be written in the long tradition of service of the American business community. We are going to win the battle of the dollar.

A final thought. If this voluntary program fails, the President is sure to have me on the carpet. If I lose my job, one of you had better be prepared to take it on. That is, if one of the professors isn't already in the chair.

Thank you.

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UNITED STATES DEPARTMENT OF
COMMERCE

John T. Connor, Secretary

Washington, D.C.

Office of the Secretary

FOR RELEASE IN WEDNESDAY
A. M's., MARCH 17, 1965

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SECRETARY CONNOR RELEASES
BALANCE OF PAYMENTS LETTER
TO CORPORATE EXECUTIVES

Secretary of Commerce John T. Connor today called upon American business executives engaged in international operations to "make an extraordinary effort" to help improve the Nation's balance of payments position.

The Secretary issued his call in a letter to 600 corporate executives, enlisting their personal support in a voluntary program to produce "significant reductions" in the balance of payments deficit.

The Secretary said the list of 600 companies did not necessarily encompass all firms engaged in international business, and he extended an open invitation to other firms with sizable international activities to participate. Such firms should write him if they feel they can make a substantial contribution to the voluntary program.

In his letter, the text of which he made public today, the Secretary asked each company to set up a balance of payments "ledger" for 1964, showing selected debits and credits, to consider how their 1964 results could be improved for 1965 and 1966, and to give him their personal estimates of the dollar amount of prospective improvement for 1965.

"We have been thinking in terms of an average improvement in balance of payment terms, in 1965 of 15 to 20 percent over the 1964 results," Secretary Connor said. "We realize, however, that any such target will be inappropriate for many corporations--either on the low or high side--but the important thing

is to make an extraordinary effort . . . Only you are in a position to set up a reasonable but meaningful objective for your own company, in the light of your operating facts and problems."

The Secretary also asked for 1963 and 1964 figures for short-term assets held abroad "because of the unique opportunity" to shift such assets and register an early improvement in the balance of payments.

He requested that first reports be submitted by April 15th, and quarterly reports through 1965 and 1966.

He said he had decided against a formalized system of prior notification of new investments and expansions abroad, including financing, expressing the belief that the estimates and reports being requested would prove to be adequate.

"We, of course, expect that care will be taken to minimize the balance of payments effects of large investments," the Secretary said, "and either we, or the appropriate Federal Reserve officials when their program is involved, would be glad to discuss such situations should you so desire."

In his letter, the Secretary stated that individual reports and estimates would be kept confidential and periodic summaries of the data collected would be compiled for use by the government and for release to the public.

In the category of "special problems," the Secretary mentioned the national objective of increasing private investment in less developed countries, and said he did not wish the program to inhibit the flow of such investment.

A second "special problem" dealt with the repatriation of short-term financial funds, the Secretary requesting the exercise of caution in countries having balance of payments problems.

On a third "special problem" involving Canada, the Secretary said he did not anticipate cutbacks in direct investments. He asked, however, that firms

"take particular care to assure that short-term funds put at the disposal of subsidiaries in Canada serve only to meet operating needs."

Secretary Connor closed his letter to the corporate executives stating, "President Johnson is confident, as I am, that you will cooperate with us in this extremely important program of serious concern to you and to our country. We urgently need your help."

The text of Secretary Connor's letter, together with a suggested summary work sheet, a listing of "developed countries," and instructions for the work sheet, are attached.



THE SECRETARY OF COMMERCE
WASHINGTON, D.C. 20230

The President has asked me to handle the voluntary cooperation program with American industry which is a key part of our overall effort to improve our Nation's balance of payments situation. Since the success of this program depends entirely on full cooperation and help from the heads of the U.S. corporations doing a significant amount of business internationally, I am writing to you to enlist your personal support.

As you can see from the enclosed press release, the Advisory Committee for this industry program, chaired by Mr. Albert L. Nickerson, Chairman of the Board of Socony Mobil Oil Company, is composed of outstanding leaders from the business community who have been active in direct overseas investments and international trade. That Advisory Committee met with me on February 26, and strongly urged that our program be set up on as informal and personal a basis as possible, with a minimum of formal reporting requirements and other "red tape." All members of the Advisory Committee have given me their judgment that the leaders of American industry will respond quickly and favorably to that kind of approach and that, as a result of such leaders taking personal responsibility for this effort, our voluntary program will produce significant reductions in the balance of payments deficit. The Advisory Committee is particularly in favor of a flexible approach that enables each company head to work out his own program, based on the operating facts of his own business, rather than limit the means of meeting each company's objective by having the government prescribe some formula of general application.

That advice makes sense to me, and the form of the program that we had been planning has been modified along the lines suggested.

Consequently, I ask for your help specifically as follows:

1. Please set up for your company a balance of payments "ledger" for the year 1964 which shows the selected debits and credits. I enclose a summary work sheet to indicate the needed figures, and some instructions to help your technical people in preparing it for you.

2. After looking at your 1964 results--and we realize in most cases a significant favorable balance will be shown--please consider how that 1964 result can be improved for the years 1965 and 1966. We have been thinking in terms of an average improvement in balance of payments terms, in 1965 of 15-20 per cent over the 1964 results. We realize, however, that any

such target will be inappropriate for many corporations--either on the low or high side--but the important thing is to make an extraordinary effort. Therefore, we have concluded that only you are in a position to set up a reasonable but meaningful objective for your own company, in light of your operating facts and problems. The nine suggestions listed on the enclosed press release do not exhaust the list of possibilities that you and your associates can put together in devising an approach meeting the national purpose, yet tailored to your particular circumstances. In short, I am asking you to establish, and then let me know, your best personal estimate of how much of an improvement in terms of net dollars you think your company can make overall in 1965, compared with 1964 by taking all feasible steps to help the Nation deal with this serious problem.

3. It would also be helpful for us to have a few of your summary figures for the year 1964 showing credit and debit items separately. The work sheet referred to in paragraph 1 would be appropriate for your 1964 report and should be returned to us. It may also be helpful in calculating your 1965 target. We understand that for many firms or industries, such as petroleum operations or contract construction, there may be a need to include in their "ledger" other information on foreign transactions in order to show a realistic balance of payments performance. In such situations, we would welcome any supplementary figures you wish to supply, and will take them into consideration in reviewing your results.

4. Because of the unique opportunity to shift short-term assets and make an early improvement in the balance of payments, I would also like to have your figures at the end of 1963 and 1964 for short-term assets held abroad either directly or through U.S. banking or other financial institutions. In addition, we would like to have figures on such assets held in developed countries by your subsidiaries and branches.

5. I would like to receive your first set of figures by April 15, if this is possible, and I hope it is.

6. Thereafter, I am asking you to send me quarterly reports through the years 1965 and 1966 showing the data in paragraphs 2, 3 and 4 above and revisions, if any, in your overall goal for the year. You should also give your personal evaluation of points or problems you consider to be of particular significance.

7. While prior notification regarding substantial new investments or expansions abroad, including information indicating how they would be financed, would be helpful, we have decided against a formalized program asking for such information. It is our hope that the overall estimates and reports that I am requesting will prove to be adequate, and that the results will be clear enough to obviate the need for prior notification of new investments. We, of course, expect that care will be taken to minimize the balance of payments effects of large investments and either we, or the appropriate Federal Reserve officials when their program is involved, would be glad to discuss such situations should you so desire.

8. We shall be very glad to talk on the telephone or meet with you to discuss this or any other aspect of this voluntary program of interest or concern to you as it moves along.

Your company's report and estimates will be treated by us as strictly "Confidential" and shown only to those few government officials who are working with us directly in this program. We do plan to put together a periodic summary of the reports in aggregate terms for consideration with the Advisory Committee and for reports to the President, the Cabinet, and the public.

There are a few special problems which I would like to call to your particular attention.

First, we regard the national objective of increasing the contribution by private enterprise to growth in less developed countries of such importance that we do not wish this program to inhibit the flow of these investments.

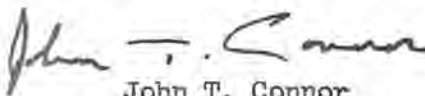
Second, while relatively rapid progress in repatriating short-term financial funds invested abroad, wherever appropriate, would be helpful, we request that this be done with caution in the case of balances in countries subject to balance of payments problems. We are naturally concerned not to cause difficulties on the exchanges and it would be desirable for companies with large balances to consider consulting with the appropriate Federal Reserve Bank on this problem.

Third, we do not anticipate cutbacks in Canadian direct investments, but firms should take particular care to assure that short-term funds put at the disposal of your subsidiaries in Canada serve only to meet operating needs in Canada. Opportunities should be explored for obtaining at least a portion of working capital requirements from the Canadian market. In this process, we hope that short-term investments in Canada by parents or subsidiaries clearly in excess of working requirements will not be increased. No doubt opportunities will arise to reduce these balances, particularly those denominated in U.S. dollars, but this should be done only in a gradual and orderly way.

I am sure you are aware of the vital importance of improving the U.S. balance of payments position. Such improvement is essential to international monetary stability, to this Nation's economy, and to continued business progress. The capability of this nation to manage its international fiscal affairs is being carefully watched around the world.

President Johnson is confident, as am I, that you will cooperate with us in this extremely important program of serious concern to you and to our country. We urgently need your help.

Sincerely yours,



John T. Connor

Enclosures

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UNITED STATES DEPARTMENT OF
COMMERCE

John T. Connor, Secretary

Washington, D.C.

Office of the Secretary

Statement by Secretary of Commerce John T. Connor at News Conference
Tuesday, March 23, 1965 on Current Business Developments

Economic activity in the first quarter of this year, as measured by the GNP, will show one of the largest quarterly increases of the postwar period with consumer buying featuring the advance. It will be the 16th consecutive quarterly gain--four full years--since the current recovery began after the low point in the first quarter of 1961.

Perhaps the best measure of the increase in the general prosperity of the American people is the disposable personal income per capita, that is, the income after payment of personal taxes. Currently the spendable personal income is around \$2,320 per capita. This compares with about \$1,950 in the first quarter of 1961--a rise of nearly one-fifth. After allowing for the higher prices paid by consumers, the increase in real disposable personal income per capita over the past 4 years has still been substantial--14 percent.

Over this 4-year period of rapid expansion, prices have remained relatively stable. Consumer prices increased by only 5 percent, or by an average rise of 1-1/4 percent per year; wholesale prices showed practically no change over the past four years.

New orders placed by durable goods manufacturers provide a good indicator of forthcoming activity, both by the metal-using and producing industries. The advance survey of the Department of Commerce indicates that durable goods orders in February were maintained at close to the peak January rate and 8 percent over February a year ago.

More importantly, the backlog of unfilled orders increased in February by \$600 million over January, seasonally adjusted, to a total of \$54.8 billion, 15 percent above February a year ago. Such a large volume of unfilled orders held by durable goods producers confirm the optimistic outlook by businessmen regarding their investment programs for the coming months as reported in the most recent survey of plant and equipment anticipations by the OBE-SEC.

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Office of the Secretary

FOR RELEASE AT 12:30 P.M. THURSDAY, MARCH 25, 1965

Remarks by Secretary of Commerce John T. Connor to the
Women's National Press Club at the Statler Hilton Hotel,
Washington, D.C., on Thursday, March 25, 1965

Thank you, Miss Ottenberg, for your very kind introduction.

One of the compensations of having a good job is the company you keep. And I am in very good company today. It is a privilege to meet so many distinguished women of the Washington press corps.

I am especially pleased to have this opportunity to discuss a vital national question with you because it is a problem that needs public understanding. And you can bring to it a woman's power of persuasion.

As a businessman I was always conscious of the far-reaching influence women exert on every aspect of our national life. The success or failure of most business ventures are in women's hands because of their dominion over the dollar.

It is principally women who make the millions of decisions daily that shape the course of our economy.

American companies spend billions in research and development to bring forth new products and new processes that will earn the patronage of women. Both their purchasing power and their shrewd appraisal of value are prime considerations in business thinking.

I am not a stranger in Washington and am very mindful that nowhere is the power of women more forcefully felt.

Washington is one of the few places where men are obliged to read the women's pages if we really want to know what's going on. In citing this let me hasten to add I am fully cognizant that you also write for the front pages and every other section of our newspapers.

Back home in Indiana, Iowa, and all the other states, the reports you file from the National Capital frequently serve as the public conscience of the executive branch, the Congress, and the judiciary.

The position of the press as one of the most powerful and searching forces in a free society has not changed much in the two hundred years since Edmund Burke made his famous remark about the three estates in Parliament.

"But in the Reporter's Gallery yonder," he said, "there sat a Fourth Estate more important far than they all." The press today is stronger than ever as the unofficial fourth branch of the government and this may be due in no small part to the fact it is now coeducational.

Journalism has benefited immeasurably from your curiosity and the woman's point of view.

The respected and influential place the press occupies today imposes grave responsibilities to protect and serve the public interest.

Crises like the events in Alabama and Viet Nam always emphasize the vital role of the press in the onward march of human progress.

Our full appreciation of the leadership the press can assert raises the question whether it should not be taking an even larger part in focusing on critical issues and opening the windows of public enlightenment.

I am here to ask you this question today. The country needs your voice in a very important cause. We need your help to win the battle of the dollar.

Since the mid-1950's the United States has grappled with the persistent and vexatious problem of the deficit in our balance of payments and the accompanying drain on our gold reserves.

Now this very term "balance of payments" is forbidding. Most people don't understand it and many don't want to understand it. They dismiss it as a matter that can be left to the Secretary of the Treasury, the Federal Reserve, or the economist.

But let me assure you in the strongest possible terms that when strength and confidence in the dollar are threatened, it is everybody's problem and we will find no answers in complacency and apathy.

President Johnson has pledged that the dollar will remain as good as gold and freely convertible at \$35 an ounce.

heritage. They knew that being an American meant so much more than being a New Jersey-ite, or a New Englander, or a Californian.

I hope that many Americans will consider the values of looking homeward in 1965 and 1966 because that is when they, as individuals, can contribute most towards alleviating our balance-of-payments difficulties.

And now I want to turn to another aspect of the problem and a subject dear to our hearts--money. No one appreciates the value of a dollar more than a woman.

So let us for a moment look at the See the U.S.A. program in an economic framework. You will find it makes a lot of sense--and dollars.

It has been estimated that some 52% of our people have never taken a vacation trip more than 200 miles from home. This is an incredible provincialism in the day of jet planes and our high-speed interstate highways.

The modern motor coach, airline tourist fares, improved railway plans, and the automobile have brought travel within the reach of most of our citizens.

These millions of stay-at-homes constitute a slumbering travel market with a multi-billion dollar potential. Travel has been a seller's market and perhaps that is why we have not yet really bothered to make the kind of effort we should to develop its limitless possibilities.

Do you know that travel today is a \$30 billion industry? And that in the next twenty-five years it may become our largest industry?

Next to manufacturing and agriculture, travel is the most productive element in our national economy.

It ranks as one of the top three or four revenue producers in every state of the Union. According to some experts, each dollar spent on travel multiplies as much as \$3 as it flows into the economic stream.

When a dollar leaves the pocket of a tourist, it goes to restaurants, retail shops, gasoline stations, auto repair shops, lodging places, and places of entertainment and recreation. But it doesn't stop there.

These local businesses buy supplies and services, and they provide business for the banks, public utilities, lawyers, real estate agents, insurance companies, printers, wholesale merchants, and many others.

A travel dollar is new money to a community, city, region, or state. It takes none of the natural resources away, but provides capital for economic development, for new jobs, and labor for the unskilled.

In seeking to widen employment opportunities for our young and the untrained, tourism offers one of the best hopes on the horizon.

Any community that can attract even only a few travelers every day of the year can gain as much from tourism as it would by acquiring a new manufacturing industry with a payroll of \$100,000.

The full potential of the travel industry is difficult to prophesy. But Americans are going places and doing things today on a scale unprecedented in human history. Last year travel-hungry motorists drove 800 billion miles.

By the mid-1970's they will be driving a trillion miles a year. That's a thousand billion miles, the equivalent of 10,000 trips to the sun! Think what rewards await those who earn their patronage.

It would be folly to think of travel dollars as easy money, however. Revenue will not fall into waiting hands. Travel must be sold, like any other commodity or service. And it is going to be up to every state, every town, every airline, bus, railroad, hotel, and motel to sell the public on its own virtues.

The travel industry as well as those localities that are looking for new sources of business and jobs will benefit immensely from the See the U.S.A. effort for it will create the national environment in which expansion and new ventures can prosper.

Perhaps the most significant feature of this new Federal program is that we are awakening a sleeping giant. The main thrust of the effort will come from the travel industry itself.

It is up to private enterprise to do the job but we will help provide leadership where it is needed and break bottlenecks as they are identified.

We should be looking at many aspects of increasing travel to the United States. In 1964, 2,300 trade groups held international meetings. U.S. associations participated in 750 of these but were hosts at less than sixty or 10%. We should be hosting at least 15 to 20% of these international meetings.

We are one of the most sophisticated nations in the world in sales and exhibitions. The difference between actual and potential income to this country if we increase our share of international meetings to 20% would be a gain of \$80 to \$100 million.

Student traffic into Europe long has been a substantial factor in our dollar outflow. They comprise 13% of the total and their numbers have been growing each year. The Far East and Latin America are now endeavoring to attract them.

In our efforts to increase domestic travel we must offer more attractive inducements to students and teachers. And universities can help by giving the same emphasis to the educational and cultural values of travel in our country as to trips abroad.

I have never seen a problem that did not present an opportunity. In searching a way out of the briars of our payments deficit we may have come upon a hidden trail that will lead to new directions in economic growth.

In any case the See the U.S.A. program points one way we can all help to strengthen the dollar. As to what course Americans should take, it is each to his own decision.

The best advice I can offer is let your conscience be your guide. I have great faith in the good sense of the American people when they know the facts. To put the facts in perspective we once again place our trust in the American press.