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

Office of the Secretary

FOR RELEASE AT 1:00 P.M. WEDNESDAY, FEBRUARY 9, 1966

ADDRESS BY SECRETARY OF COMMERCE JOHN T. CONNOR PREPARED FOR DELIVERY AT THE EIGHTH ANNUAL CONFERENCE ON ADVERTISING-GOVERNMENT RELATIONS, SHOREHAM HOTEL, WASHINGTON, D. C., 1:00 P. M., FEBRUARY 9, 1966

I am very happy to be here with you today. This annual conference has become a major event on Washington's winter calendar, and I believe it is a most useful forum.

Here in Washington and across the nation this month we are celebrating an economic birthday. It is now five years since the start of the great expansion that President Johnson has termed the "American economic miracle."

The country has, truly, gotten moving again -- and farther and faster than many dared dream. The growth rate has doubled and almost trebled over this five-year period.

The benefits of this phenomenal advance have been broadly shared throughout our society -- by businessmen, farmers, workers, investors. Month by month, new highs are reached in production and sales, payrolls and profits, industrial capacity, living standards. More people are employed than ever before.

Unemployment has fallen to its lowest point since 1957. Every major industry shows significant increases in wages and salaries.

The colossal nature of the U. S. economy is one of the primary forces at work in our modern world. For it does more than supply the broadest and most flourishing of consumer markets. It also supports the greatest complex of concentrated enterprise ever seen on this planet, both public and private.

The world's most potent defense establishment, the conquest of space, economic assistance for nations that are striving to help themselves, continuing advances on the frontiers of science and technology, new approaches to transportation of people and products, a whole range of programs for social betterment and improved health -- all are supported within our free enterprise economy that provides not only the world's highest living standard today but the means of even greater attainments tomorrow.

American business and industry and skills are energetically engaged in building and planning and trading and developing around the globe. The sun never sets on the American businessman or the American engineer. Their accomplishments contribute to the health of our economy here at home no less than to others throughout the free world. And overseas demand for the products of our farms and factories has never been greater.

Nor are achievements measured in economic terms alone. Human progress accompanies economic progress. The record of great American corporations and small businessmen alike, in all corners of the free world, is a proud one in both regards.

Power for this mighty economic engine is generated by two currents in the mainstream of American life -- freedom and cooperation for the common good.

Cooperation is not another word for conformity. Public debate is the strength of democracy. The level of debate is a measure of national vitality. But it does mean joint responsibility in a partnership for progress that has brought unsurpassed growth and unmatched prosperity.

You in the advertising world play a central role in the national life and national economy. You have helped make expansion happen. And your reward is a meaningful share of the nation's expanding economic pie.

Advertising's $15 billion share of the pie, in total expenditures last year, is an impressive indicator of this essential economic role. The total of $15 billion, although only a small percentage of the total cost of marketing, compares favorably with the annual national budgets of most nations in the world, and with the Gross National Products of a good many.

Advertising performs many functions. But the ultimate achievement comes in opening new markets and marketing new products and services. Both producer and consumer are the beneficiaries.

The advertising community has over the years scored high in these areas. And it is in these areas that some of the great advertising and marketing challenges lie now and in the future. For advertising is the vehicle that must take industry's productivity and technology's creativity into an increasingly competitive marketplace.

Many of the products and services we enjoy today did not exist even a few years ago. The plastics industry and its products provide a prime case in point. Or look at the range of photographic and electronic equipment available on the consumer market. In the chemical industry as a whole, it is estimated that more than half of net income traces to products that did not exist 20 years ago, and more than 70 percent of drugs and pharmaceuticals in use today have been developed in the past 15 years.

Clearly innovation and invention have been vital factors in our economic progress, and the progress and products have been widely shared.

And it is equally clear that these gains would not have been achieved without advertising to inform the general public, or specialized publics, about new or improved products and services. In many instances, people have had to be educated to their uses.

The increasingly swift stream of new or improved products and services places unprecedented demands on advertising. They delineate fresh opportunities as well as heavy responsibilities.

Advertising must lay before the consumer, with truth and clarity, the uses and advantages of new products and services. It must generate the kind of competition that benefits the consumer in better quality products, competitive prices, and range of choice.

As it shares in the glowing future of America, advertising must see itself as prime participant in an educative process, attuned both to potentialities of new products and to rising levels of education, culture, and taste. These are as characteristic of contemporary America as the affluence we hear so much about.

I want to discuss some overseas aspects of advertising's marketplace today, particularly in connection with the nation's balance of payments problem.

Business displayed a highly developed sense of responsibility, and accepted real sacrifices, in helping to cut the payments deficit from $2.8 billion in 1964 to less than $1.3 billion last year under the President's voluntary program.

This year, in a more concerted effort that includes additional business firms, we expect further contributions toward the President's announced goal of balancing the nation's international books.

And I want to take this opportunity to note the constructive role the Advertising Council is playing in the campaign to enlighten the American people on the balance of payments problem and the measures the President has instituted to solve it.

In the long run, exports make the most effective contribution to the balance of payments. Overseas sales also are a growing factor in our economic health.

Here, the advertising community participates on two fronts-- as an element in decision-making and marketing for business as a whole, and as an exporter of services in its own right.

Over the past five years, U.S. international trade has risen more than 35 percent to a record high of about $47 billion. Exports alone rose to more than $26 billion last year.

This prodigious figure means profits and jobs for millions of Americans. Trade tables are reflected on dinner tables. Every $7,500 in export sales provides one job in this country. $1 billion in exports creates about 134,000 jobs and brings in some $75 million in profits.

The relation to balance of payments is no less impressive. The surplus of exports over imports rose to \$6.9 billion in 1964. Without this trade surplus, the 1964 balance of payments deficit would have stood at a staggering \$9.7 billion.

Yet, this country has only begun to realize the vast potential of global trade. At 4 percent of Gross National Product, our export total is small compared to other advanced industrial nations. And the competition in some strong U.S. export areas is increasing.

In 1965, despite the record peak we achieved in exports, the trade surplus fell by more than one-and-one-half billion dollars, according to our preliminary figures, because of the unexpectedly large increase of 14 percent in imports.

Two constants hover on the economic horizon when we look across the seas. One is continued economic growth over the long term. The second is mounting consumer prosperity accompanied by rising expectations.

The American commercial and industrial dynamo is in position to export progress and thereby import prosperity today, tomorrow, and far into the future.

But this will be the case only if we recognize that $26 billion is just the beginning. We are in the early years of a new epoch in world trade. The United States has always been a major trading nation. Never, however, have we exported or imported goods at volumes even suggestive of today's levels.

At the current total of $26 billion, U.S. exports have doubled in 15 years, quintupled in the quarter-century since Pearl Harbor. Trade of the free world nations has risen from $48 billion in 1948 to $160 billion in 1965 and it continues on a soaring course.

The overseas market for consumer goods holds especially rich promise. Trained in a competitive, consumer-oriented economy at home, U.S. business is uniquely equipped to satisfy the evolving consumer market abroad. Both U.S. products and U.S. methods are suited to this expanding market.

Mass marketing and distribution were invented by American business. Business methods developed to serve democracy of consumption in the United States can now be used to advantage overseas. Advertising can do an important part of the job.

We know how to sell in a common market because we have been selling in the oldest and largest common market in the world--the U.S.A. We know how to develop mass consumer markets because our own is the largest and most competitive mass consumer market in history.

In the Department of Commerce, we conduct a number of programs to encourage trade expansion, to assist businessmen in entering overseas markets, and to facilitate their overseas operations.

Now we are inaugurating an "America Week" promotion program geared exclusively to the sale of consumer goods overseas. This program can be most effective in expanding exports if there is broad participation and a high level of coordination among business, advertising, and government.

I would like to invite the advertising community to participate in two very specific ways in this promising America Week effort.

First, there are exhibits or demonstrations around which each America Week promotion will be built. These must be worthwhile, meaningful American exhibits. The range of possible subject matter covers all aspects of national life, culture, and commerce.

We are currently contacting museums, trade associations, industry groups, schools, certain government agencies, state officials, and other groups to stimulate participation and locate suitable attractions.

The advertising community, with its prodigious creativity and a communication network that reaches into so many compartments of the national life, is in position to make a real contribution.

Second, advertising is the focal point for coordinated promotion of America Weeks to gain the greatest impact in each case.

One approach might be to encourage business firms to adjust their annual advertising budgets to provide special America Week funds. Another could be joint participation by firms involved in over-all America Week campaigns.

In any event, you are well qualified to consider various options available to advertisers. The broad goal and the opportunities are clear. In addition, you know the territory, as the figures attest.

U. S. advertising has gone overseas in a big way in recent years both in behalf of U. S. clients and to open your own foreign offices. International billings of U. S. agencies went from $120 million in 1953 to the neighborhood of $650 million in 1964. More than 20 U. S. agencies bill $100 million or more overseas annually.

And I have met few advertising men who expect anything less than a wave of expansion abroad in the future.

I also look for expansion here at home in another area of great importance to balance of payments -- travel and tourism. Here again, joint government and business activity are the keys to success, and advertising plays a major role.

Last year, a record number of Americans spent about $1.8 billion more abroad than foreign travelers spent here. The travel deficit, in other words, substantially exceeded the over-all payments imbalance.

No one I know wants to restrict Americans from traveling. But, at a time when government and businessmen and bankers are making every effort to meet the serious balance of payments problem, the annual outflow from U. S. tourism abroad is a notable fiscal problem.

The best answer to the travel gap is encouragement of tourism to the United States from abroad, and within the United States by Americans who might otherwise go abroad.

A Cabinet task force headed by the Vice President, of which I am a member, is addressing itself to this positive solution. Several government agencies are acting within their areas.

The U. S. Travel Service of the Department of Commerce is currently conducting an imaginative, energetic advertising and promotional campaign overseas to encourage foreign travel to the United States. The theme of the campaign is "Festival USA '66."

The travel and tourist industries also have heavy promotional programs under way to attract the foreign tourist, including special reduced fare plans.

These efforts have been successful. The United States earned a record $1.1 billion from foreign travel in 1964, and an estimated $1.2 billion in 1965. In 1964, the United St ates became the first nation ever to earn $1 billion in a single year from foreign visitors. And the number of tourists coming to this country has almost doubled during the four years since the Travel Service was established.

Neverthless, the fact remains that the deficit continues to outrun increases in the nation's income from foreign travelers.

Meanwhile, here at home, private industry has jointly formed the dynamic Discover America, Inc., to promote travel within the country. This organization has the full support of the Cabinet task force.

Most important, major advertisers have begun to utilize the Discover America theme. And many of the nation's major publications have turned attention to the travel and recreation splendors that exist throughout this great nation.

The domestic market is immense and growing. Travel and recreation is now a $30 billion industry, the nation's third largest. An estimated $53 billion was spent on all travel internationally in 1963. So the United States accounts for a very large share of the international market.

Sanguine as the domestic figures are, however, they also point up the imposing nature of the travel gap. The very magnitude of domestic travel income suggests the potential for even further increases in American travel out of the country.

I raise this subject today because it is the kind of challenge to which you in advertising bring special experience and competence.

I hereby place this challenge before the nation's advertising department. I invite you to consider all aspects of the continuing t ravel imbalance and to help in any way that you can.

How, in short, do we tip the travel balance and keep it tipped?

Could American cities and private enterprisers attract a larger proportion of the thousands of business conventions held throughout the world each year?

What about business travel habits? Could changes be effected that would be both reasonable and meaningful to the balance of payments?

What part does advertising play in tourism today, or in formation of tomorrow's tourist travel patterns? And what part will it play in future?

These are the kinds of questions that I invite you to consider, and to slip into your cranial attache cases for continued reference.

Once again, I have enjoyed being with you today. I know that you have had an interesting and a stimulating conference here this week. I hope you will go away with a new appreciation of some of the national and world-wide problems your country faces, and which can be solved only by the fullest cooperation of leaders like yourselves.

Business and Government in recent years have become more and more aware of the need for mutual understanding and cooperation in the achievement of goals that are essentially national in scope, such as economic expansion. Consequently, they share an equal appreciation of the merits of advertising and the techniques for forceful persuasion developed by the men and women whose work is the broadening of the frontiers of creative and meaningful merchandising.

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FOR RELEASE IN TUESDAY A.M.'s FEB. 15, 1966

STATEMENT BY SECRETARY OF COMMERCE JOHN T. CONNOR ON THE U.S. BALANCE OF PAYMENTS, AT NEWS CONFERENCE, TREASURY DEPARTMENT, MONDAY, FEBRUARY 14, 1966, 2:30 P.M.

The improvement in the U.S.balance of payments during 1965 shown in the figures just released is both striking and gratifying. It is striking because it was achieved in the face of a number of obstacles; it is gratifying because it justifies our confidence that the Nation's businessmen and bankers could be relied upon - within the framework of a voluntary program - to make a major contribution toward reducing the deficit in our international accounts.

The obstacles to an even greater improvement in our balance of payments during 1965 were serious:

- Partly because of the slower pace of economic activity in some of our major markets abroad, and the acceleration of production at home, total exports rose by about 4 per cent. But imports climbed by more than 15 per cent. The result was a decline in our trade surplus from \$6.7 billion in 1964 to \$4.8 billion in 1965.

- The travel gap also rose appreciably. Although the final figures are not yet available, indications are that the travel gap rose from $1.6 billion in 1964 to over $1.8 billion in 1965.
- The further build-up of our military forces in Viet Nam also had an adverse impact on our balance of payments.
- The outflow for direct investment also rose substantially compared with the level in the previous year. However, the program of voluntary cooperation with the business community was clearly helpful in moderating its course - especially after mid-year.

When the President's voluntary program was launched just over a year ago, we stressed that - because of outstanding commitments, the response of the direct investment outflow would not be evident until the statistics were available for the third and fourth quarters. The fourth quarter figures are still not in. During the first three quarters of 1965, the outflow amounted to $2.6 billion, or over $3.4 billion at an annual rate, compared with $2.4 billion in 1964. Since the third quarter outflow was already down to $515 million, the total for 1965 will undoubtedly be well below $3.4 billion.

These trends are summarized in the attached chart. The sharp turn-about in the behavior of direct investment outflow after mid-1965 is especially striking. During the last half of 1964, the outflow amounted to more than \$1.3 billion, or \$2.7 billion at an annual rate. Thus, the trend was climbing rapidly from the level in the first six months of that year. In the first quarter of 1965, before the voluntary program got effectively under way, a further acceleration occurred. While a moderate decline was recorded in the second quarter, the outflow for direct investment during the first half of 1965 was at an annual rate of \$4.1 billion. In contrast, the annual rate during the last half of 1965 was clearly far below that figure. Thus, in response to the voluntary program, the annual rate of direct investment outflow was cut substantially.

The impact of the turn-about is also evident when direct investment outflow is compared with direct investment income. The income figure for the fourth quarter of 1965 is not available; but given the trend during the year, the fourth quarter income was probably at least \$1.0 billion. It will be noted in the chart that the surplus of direct investment income over outflow declined steadily through 1964 and into the first quarter of 1965 - when it was negative by $100 million. But as the outflow was moderated and the repatriation of income was accelerated in response to the voluntary program, the income surplus recovered appreciably.

The fourth quarter of 1965 also saw the fruition of another important part of the voluntary program relating to direct investment. An increasing number of participating companies have decided to borrow funds abroad and thus minimize the impact of their projects on our balance of payments. During the fourth quarter, about $175 million of proceeds of such borrowing through the sale of securities to foreign investors were recorded in the U.S. balance of payments statistics. About the same amount was raised through the sale of securities by the companies' subsidiaries abroad - although the latter proceeds are not shown in our balance of payments.

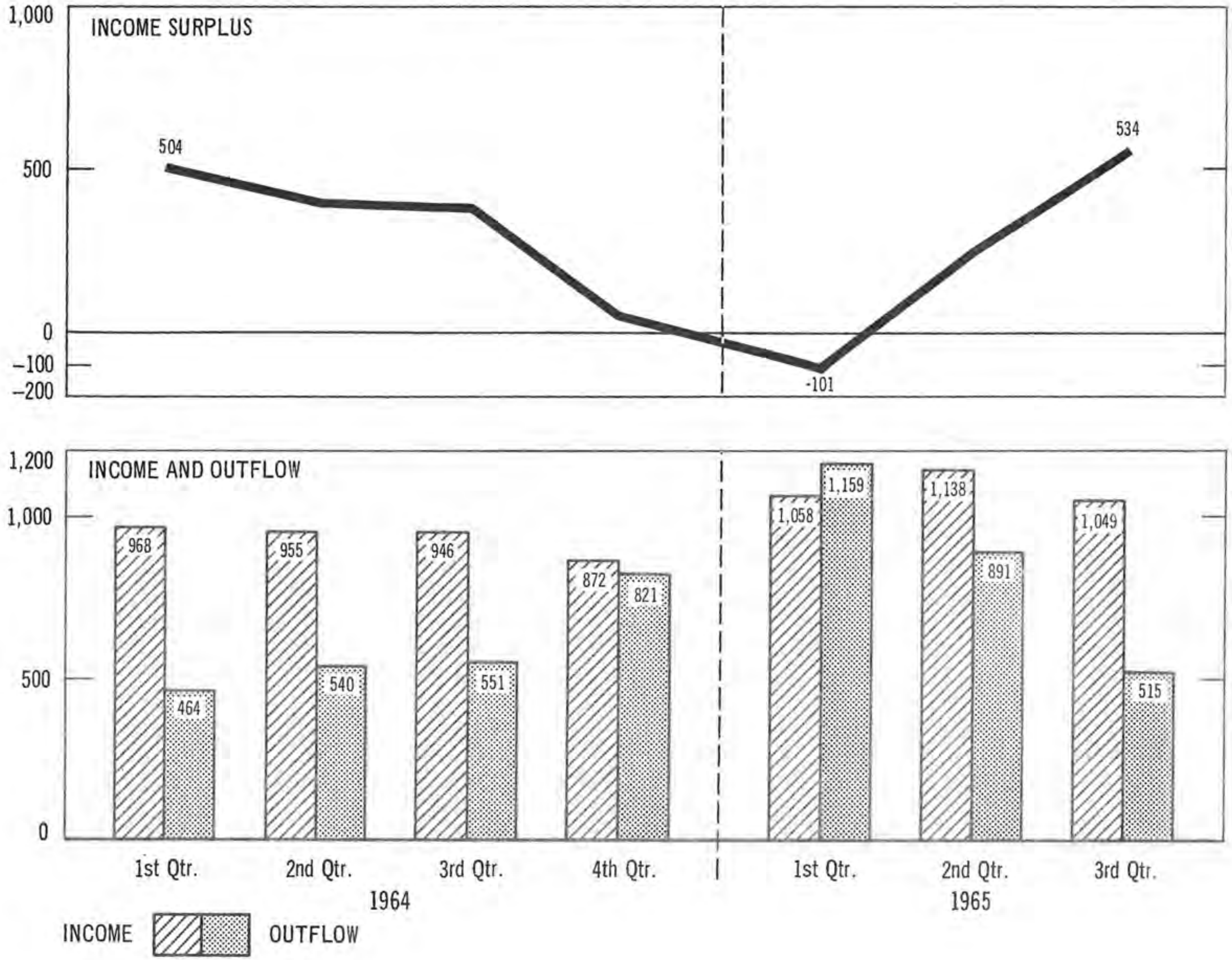
The important point is that the $175 million borrowed by firms incorporated in the United States can be considered as a partial off-set to the direct investment outflow during 1965. Allowing for this off-set would put the estimated outflow for direct investment during 1965 almost $200 million below the figure which will be recorded in the balance of payments accounts.

We are still awaiting the fourth quarter reports from most of the 500 companies which participated in the voluntary program during 1965. But the results through the first nine months, plus the trend evident in the early returns for the fourth quarter, clearly suggest that the cooperating companies will substantially achieve the projected improvement of \$1.3 billion on selected foreign transactions. Moreover, they have repatriated about \$400 million of short-term financial assets. Thus, the expanded contribution of this sector of the business community to our balance of payments during 1965 may well approximate \$1.7 billion.

In our opinion, the balance of payments results for 1965, including the results for direct investment, clearly demonstrate the soundness of the decision to rely on the cooperative effort of the American business community in our drive to reduce the deficit. We shall continue this reliance, and we are confident of another favorable outcome for the current year.

Direct Investment Income, Outflow, and Income Surplus by Quarters, 1964 and 1965

(Millions of Dollars, Seasonally Adjusted)



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FOR RELEASE FRIDAY, A.M. FEBRUARY 18, 1966

ADDRESS BY SECRETARY OF COMMERCE JOHN T. CONNOR PREPARED FOR DELIVERY BEFORE THE ANNUAL DINNER OF THE BOND CLUB OF NEW YORK AT THE WALDORF-ASTORIA HOTEL, NEW YORK, N. Y., 9:00 P. M., THURSDAY, FEBRUARY 17, 1966

It is a pleasure to meet with old friends in the business and financial community of New York -- and to make new acquaintances among those in this important group.

I also welcome this occasion because we happen to be marking an important anniversary date that calls for a celebration.

One year ago tomorrow President Johnson's Voluntary Balance of Payments Program was launched.

Tonight we can state with confidence that Government and American businessmen and bankers are working effectively together to win the battle of the dollar -- and that our persistence in the effort will help achieve ultimate victory.

I don't mean, of course, that we now are reaching equilibrium in our balance of payments. This is still our goal. In view of the rising impact of the military build up in Vietnam on the balance of payments, it will be particularly difficult to attain this year. Moreover, the high level of imports is expected to continue and this will also require us to redouble our efforts in the period ahead.

But there can be no doubts about the dollar. There is no longer any doubt anywhere that we have the ability and the determination, and are willing to pay the cost, to end the heavy annual deficits that have plagued our balance of payments since 1958.

And with that doubt dispelled, we have witnessed renewed strength and worldwide confidence in the American dollar -- the world's leading medium of exchange because it is the dollar that is as good as gold -- yesterday, today, and tomorrow.

One interesting, and somewhat amusing, result of our achievement has been this: Whereas a year ago some countries were complaining about an excess of American capital investments, those same countries are now complaining about a lack of such investments. They claim we're slowing down their growth rate! The new foreign perspective on American investments abroad is an important corollary dividend of the voluntary program.

The program which is accomplishing our objective is unprecedented in the history of government-business relations and economic policy making in this country. Never before have government, industry, and financial institutions voluntarily teamed up in the sphere of international economics to reach a goal that was in the vital interest of every businessman, banker, and worker in this country.

At the White House conference announcing the program on February 18 last year, President Johnson told the assembled business and financial leaders:

"I am asking you to join hands with your government in a voluntary partnership. I am asking you to show the world that an aroused and a responsible business community in America can close ranks and make a voluntary program work."

My own plea on that occasion echoed the President's request, but it also reflected my personal concerns, since I'd just been handed the job of administering the program among corporations.

"Now is the time," I said, "for all good businessmen to come to the aid of their country -- and me!"

Let me acknowledge tonight, with heartfelt appreciation, that they came -- and are coming -- to the aid of both, in full measure.

As you know, the figures on our balance of payments for 1965, as announced earlier this week, show a deficit of $1.3 billion, the smallest since 1958 and less than half the deficit of $2.8 billion recorded in 1964.

It was achieved in the face of a number of serious obstacles:

-- a sharp upsurge in imports and resultant decline in our trade surplus from $6.7 billion in 1964 to $4.8 billion in 1965.

-- a widening of the travel gap by about $200 million.

-- the further build-up of our Vietnam forces.

-- and a rise in the outflow for direct investment, although the voluntary program helped to moderate its course, especially after mid-year.

The overall accomplishment is a tribute to the partriotism, initiative, and public responsibility of the bankers and businessmen cooperating in the President's program. And it's also a case of enlightened self-interest, since the strength of the dollar relates directly to continuing profitable investment and business enterprise overseas.

Foreign loans and investments of U. S. commercial banks in 1965 expanded by less than the amount provided by the target ceiling suggested in the February 1965 guidelines. And although year-end data on financial institutions other than banks are still being compiled, indications are that these too were well within the guidelines as revised last June.

We do not have final fourth quarter reports from the 500 corporations participating in the program in 1965, but indications are that their expanded contribution to our balance of payments may well approximate \$1. 7 billion. Of this amount, the repatriation of short-term financial assets accounts for \$400 million, and selected foreign transactions account for \$1. 3 billion -- which was the improvement projected at the outset of the program.

As you know, the continuing program for this year concentrates on direct investment, and we have also asked an additional 400 corporations to join the program with the 500 already participating.

Although the dollar outflow from direct investment last year was somewhat less than had been anticipated, we expect a further reduction of \$1 billion in this sector in 1966. We are confident that corporations will meet this target.

Let me emphasize, however, that the basic aim of the continuing program is not to curtail investments abroad. Rather it is to minimize the impact of the outflow of funds on the U. S. balance of payments. In other words, there is no reason why corporations should not proceed with overseas plans if they can arrange the financing in foreign markets. We are much too aware of the massive contribution of overseas investment to our balance of payments, both in repatriated profits and export gains, to want it curtailed even moderately over the long haul. To do so would be a classic example of killing the goose that lays the golden egg.

And as before, the program seeks to avoid adverse effects on the less developed countries, where we hope American private enterprise will continue to help raise standards of living through economic development and the introduction of new technology in agriculture as well as industry.

But it isn't primarily on past achievements under the President's program,or its future targets, that I want to focus tonight. Rather it's on the fundamental advantages of the voluntary program itself -- compared with some of the alternatives which some people recommended.

As we look to the long-range future we should consider the possible measures that must be taken when the voluntary program, as presently constituted, comes to an end. This means that the business and banking community, which carries the burden of making the program a success, also has the obligation to offer its constructive views on the long-term solution of the deficit problem. I would like to suggest, therefore, that businessmen make 1966 a year of intensive review of the whole balance of payments problem; they should be fully prepared to inform Administration officials of their views on a continuing basis.

For the fact is that the balance of payments problem is going to be with us in one form or another as far as the trained eye can see into the future. And because of the changing nature of the world economic and political situation, it must be kept under constant scrutiny and review. Varying solutions undoubtedly will be required as situations change, and business must be prepared to advance its views in the deliberations leading to decisions. On its part, of course, the Federal Government must constantly reappraise not only the problem as a whole but its own sphere of activities affecting the position of the dollar world-wide.

The present voluntary program was launched, you will recall, against a background of continuing annual deficits, despite a successful export expansion drive and intensive efforts to minimize the impact on our accounts by the overseas military expenditures and economic assistance programs.

As 1964 drew to a close, it became apparent that other extraordinary, and more direct, measures would be required. Discussion of various possibilities got underway within Government circles, and businessmen began to hear a variety of reports on steps that might be taken. One step would have imposed a tax deterrent on direct private investment abroad. There was speculation throughout the country on the possibility of mandatory controls which raised deep concern.

Happily, I think, for everyone, President Johnson followed the counter suggestions of the business community and of some of us in government. The voluntary program resulted.

But you will recall that the program was not greeted with universal approval in all quarters. Some people said flatly its voluntary nature wouldn't produce the necessary results; only mandatory controls, they argued, could do the job. Others denounced it on the classical grounds of more government interference in private business.

Actually, of course, it has produced very significant results. As for interfering in private affairs, it certainly does that, and in a painful way for many firms. But we must remember that our balance of payments is very much a public affair, since it involves the strength of the national currency, and therefore business expansion and more jobs for our growing work force.

This does not mean, of course, that because of the growing interrelationships in our complex economy I think just about everything can be lumped together as affecting business and employment -- and therefore is a public matter which needs government regulation. On the contrary, I know that excessive bureaucratic supervision of private activities can destroy the very heart of the free enterprise system. For the motive power of that system is private initiative, a precious intangible that flourishes only in a climate of freedom.

It is true, of course, that government regulation of private activities has increased enormously during the 190-year history of the Republic. But I think it is also fair to point out that the scope of our private activities -- both as individuals and corporations -- has also increased enormously. And that on balance we enjoy far greater economic freedom of choice than ever before.

Consider, for instance, the increased size of the markets, both domestic and international, available to business. Or consider the increased number of products and services which the ingenuity of science and technology have provided for business to market.

For labor, consider the many different kinds of jobs that open up opportunity for the special skills of people with different talents. Consider how many more avenues are open for workers to reach supervisory levels in our expanding industrial economy.

The fact is that the narrow range of opportunity which once circumscribed our activities as businessmen and workers in years past has been enlarged to undreamed-of proportions. Never before in history, nor in any other country, have business and labor had so many opportunities to exercise their private initiative.

Can we say that the amount of government regulation we've had thus far has in any way stifled these opportunities? Isn't it probably more nearly correct to assume that it has helped enlarge these opportunities by bringing order to our complex economy, and in setting bounds for the activities of both business and labor to insure that they remain in the public interest?

If we could somehow compare the increased amount of government regulation with the increased scope of our opportunities, I have not much doubt which would be the greater.

And let us not forget that among the industrialized nations of the world, the American economy is the freest of all. And because it is the freest, we enjoy the greatest opportunity of all.

We must keep it this way. And this is why I want to raise the question tonight of the kind of balance of payments program that we must develop for the long term solution of the deficit problem. The voice of business must be heard as that program is worked out.

Let me assure you that it was heard as we shaped the voluntary program. This was a program that did not emerge as a case-hardened plan of the Federal Government. On the contrary, it was developed in the closest consultation with representative business leaders, whose advise was heeded on the kind of program that would enlist the support of the corporations whose actions could make it or break it.

In this connection, I would like to pay special tribute to the Balance of Payments Advisory Committee, chaired by Mr. Albert L. Nickerson, and whose members offered invaluable advice as the program developed. The entire nation is indebted to them for this outstanding service. The program simply would have not been successful without their help and guidance.

The full support of the business community and the evolving success of the program are due to the fact that it very largely has been business' program, not government's. Nor is it a single, rigid program to which each participating corporation must adhere under fixed rules. In fact, it is probably more nearly correct to say that there are hundreds of different programs, tailored by the individual firms to fit their own special situation.

As we anticipated, the participating corporations have devised their own combination of measures that enable them to increase their contribution without the hardships that would accompany a straight-jacket program. The result has been that business has joined with government to moderate excessive capital outflow by plugging loopholes, instead of wrestling with a rigid set of rules that would often impel them to seek loopholes. They have fully justified our confidence that they would respond wholeheartedly to a program that maximized freedom of decision and action.

For business is fully aware that the entire national economy depends on a sound dollar. International trade flows on confidence in the dollar, as the principal exchange currency, and domestic expansion hinges on its acceptability for vital supplies needed for industrial production. Every worker, every shareholder in an American corporation, and every businessman, has a vital stake in the dollar's continued strength--and we intend to maintain that strength.

We know the voluntary program is largely responsible today for helping to accomplish our objectives. In retrospect the decision to adopt the voluntary program was obviously the proper course.

Some of the alternatives discussed publicly were a tax on direct investment abroad, creation of a committee to pass on investment proposals, and there was even talk about an exchange control mechanism.

Let's consider a few of the pros and cons of these proposals.

Basic, of course, is the fact that any interference with the free operation of international trade and investment is undesirable. Even a voluntary program has adverse effects which cannot be endured for long. But each course of action also has operational disadvantages--and if this is to be a free and open discussion, nothing should be held back.

What are the arguments, for instance, against a voluntary program and in favor of mandatory restraints? Let's explore these briefly.

First, voluntary controls depend on cooperation by corporate management. If some corporations refuse to cooperate, the burden of restricting investment is increased for the companies who do cooperate. Therefore, voluntary restrictions are inequitable.

Second, corporate executives may be under pressure by a firm's board of directors to expand investments abroad in order to maintain competitive positions. Obviously, a good management must heed such pressures, but the result may be a decline in the effectiveness of the voluntary program. This decline could become precipitous if the idea spreads that more and more competing U. S. companies are evading the program.

Third, voluntary programs are difficult to manage. They depend on collection of data from cooperating companies to indicate their performance. Yet there is no way to make sure the data are correct.

Fourth, a voluntary program by its very nature must be more or less temporary and possibly frequently revised. Yet long term investments must be planned years ahead, with uncertainties kept to a minimum. Government policies which reflect laws, even if less favorable to business, are more likely to minimize some of the uncertainties.

Turning now to other possible approaches to the problem, let's look at some of the alternative courses that could have been taken at the time the President decided on the voluntary program last year. Let me raise some of the questions involved in, say, a program that would apply an equalization tax to direct investments abroad.

What level of tax would have been necessary in order to have the desired impact? If a tax of 15 percent had been applied to an increase in investments in affiliates, it would have reduced the expected rate of return by something over 1 percent if a 10 percent return had been expected. No one can say whether such a tax would have achieved anything other than a marginal impact.

Second, how could the taxable base have been defined? Unlike purchases of foreign securities, dealings between a parent company and a foreign affiliate take many forms, for different purposes and different durations, and may result in small net flows although gross flows of funds each way were very large. It would have been necessary, probably, to apply the tax to some net flow concept, and to include reinvested earnings, since the latter are clearly substitutes for capital flows for majority-owned affiliates. Technically, this would have been very difficult to achieve, and would require very exacting reporting of intercorporate financing to the taxing authority. Moreover, any attempt to provide exceptions or distinctions among countries or industries would have added tremendously to the difficulties of maintaining an equitable tax system reasonably free from flagrant loopholes.

Third, it would probably have taken considerable time to obtain Congressional approval of such a tax. And while its specifics were being debated in Congress, there could be a serious leakage of capital funds from the U.S.

A recent proposal under the mandatory approach was the creation of a committee to review and pass on investment proposals.

The first problem would be to define "investment proposal." Is it an extension or replacement of an existing facility? Does it include purchase of minority interests? additions to working capital or repayment of existing debt? exploration of an oil concession? a new tanker? reinvestment of earnings and depreciation charges? establishment of a new subsidiary? or any and all capital outflows and reinvested earnings by any U.S. company in any foreign company?

Second, if direct investments are to be rationed, how would an order of priorities be established? Would the criteria be net benefit to the U.S. balance of payments--if so, who is to measure it? Would certain industries or countries be favored? Would small investors be favored? Would the criteria be rate of return, effect on U.S. exports or employment, competitive necessity or advantage, foreign reaction and attitude, or any combination of all of these considerations and others?

Third, how would such a committee be staffed and administered? Could it be business itself, applying to itself and its members criteria developed by Government? How could business avoid conflicts of interest in such an operation?

How could any conceivable staff deal quickly and efficiently with the literally thousands of investments initiated abroad by U.S. companies in any given year? If it did not attempt to review all of them, what would be the basis for leaving some outside the system? How could evasion or inequity be avoided? How could insufferable delays and paperwork be avoided?

Finally, under mandatory controls, was the possibility of an exchange control mechanism. The difficulties, both practical and in principle, were so obvious and serious that I hardly need to discuss them. Exchange controls would have violated the American tradition of freedom for international transactions and currency convertibility.

They would have undermined confidence in the dollar as a reserve currency and endangered the whole international monetary system. They would have solved nothing, but would certainly have precipitated a crisis.

In any event, as my Cabinet colleague the Secretary of the Treasury said earlier this week, we see no possibility in the balance of payments situation requiring mandatory controls, since the President's voluntary program seems to be moving ahead with success and producing expected results.

In this brief review of various approaches to the problem, I have suggested only a few of the considerations that should engage business' attention. Many others will become apparent as you probe the various aspects of the problem.

I urge this review not only because of my involvement as Secretary of Commerce in the balance of payments problem. But also because this job, to my way of thinking, imposes on me an obligation to help bring the business viewpoint into the councils of Government. From the moment I took this job I have been fully prepared to ask business to make sacrifices in order to attain national objectives--and I have done this repeatedly. But I also regard it as my duty to bring the counsel and advice of business to bear on the many serious economic problems facing the nation, and in which business is inextricably involved. Only under these circumstances can business continue to play a full and constructive role in the government-business partnership that is so vital to the continuing prosperity of the American nation and the economic security of our people.

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UNITED STATES DEPARTMENT OF

COMMERCE

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

Office of the Secretary

FOR RELEASE TUESDAY, A.M. FEBRUARY 22, 1966

ADDRESS BY SECRETARY OF COMMERCE JOHN T. CONNOR PREPARED FOR DELIVERY BEFORE SALES AND MARKETING EXECUTIVES-INTERNATIONAL, STATLER HILTON HOTEL, WASHINGTON, D.C., 7:30 P.M., MONDAY, FEBRUARY 21, 1966

I am privileged to bring you this message from President Lyndon B. Johnson on the occasion of National Salesmen's Week:

"Salesmanship paves two avenues for the growth of our free, competitive economy. It helps to create the demand for goods and services which stimulates production, employment and income. And it assures the orderly distribution of those goods and services to all regions of the country.

"Your work in forty-two countries of the Free World contributes immeasurably to the healthy exchange of ideas in the international marketplace.

"In another area, I am impressed by the great strides you have made in attracting young people to careers in marketing and in opening new opportunities for professional advancement through seminars and post-graduate study.

"As you gather in observance of the fifth annual National Salesmen's Week, I want to extend to each of you my warm wishes for sustained success."

signed: Lyndon B. Johnson

We in the Commerce Department add our own greetings and best wishes.

We have reason to know, from first hand experience, not only the breadth and depth of your technical know-how, but also the full extent of your public service sense of responsibility. I am referring especially to the heartening and fruitful cooperation you extended on behalf of the National Export Expansion Program. I am convinced that your organized efforts, working through local clubs around the nation, played no small part in expanding American exports as a vital element in our concerted drive to eliminate the nation's balance of payments deficit.

That payments battle is not yet won. But when it is won, as I know it will be, the victory will not be credited to a piece of compulsory legislation. It will be credited in large measure to the voluntary efforts of American businessmen and bankers in response to the appeal of our President.

I am sure that the voluntary aspect of this program has special meaning to you in this audience today. Compulsion and salesmanship are alien concepts. Selling involves open information and educated judgment. In the selling-and-buying process, decisions are made and actions taken on the basis of various alternatives, each with different consequences. And this process takes place across the range of human experience -- in board rooms, university laboratories, and the halls of Congress no less than over the department store counter.

I know there are those who would consider this an overly sophisticated, perhaps overly "enlightened," view of selling. I don't agree. Selling, in a broad view, is central to our civilization. The words "nothing happens until someone sells something" were never more true than today.

Two centuries ago, a Scottish poet wished that we had the ability to see ourselves as others see us. I suspect that this would be a mixed blessing. At a bare minimum, it would be a humbling experience for some of us. I think, however, that we would be most satisfied if we could make others see us as we see ourselves. For example, I am sure that you occasionally run into people who think of a salesman in terms of the rather tragic and ineffective Willy Loman from the stage play "Death of a Salesman."

Well, as you and I know, Willy Loman was never intended to be regarded as a typical salesman, and in any event, Willy would be hopelessly obsolete in today's world. As a former businessman and as the present Secretary of Commerce, I can tell you that if the American economy in this day and age depended upon a sales force of Willy Lomans, we might be counting our Gross National Product in hundreds of millions of dollars rather than hundreds of billions. Furthermore, the balance of payments problem would give us cause for despair, instead of our having confident hope of an ultimate solution.

The "image" problem faced by the sales profession is highlighted on the nation's television screens during the prime hours on any evening of the week. There are salesmen on the screen to be sure, but only during the commercials. The programs themselves feature the lives and exploits of doctors, lawyers, secret agents, detectives, even that itinerant, agricultural laborer of the nineteenth century, the American cowboy. But where is the program that focuses on the working life of a modern salesman?

Isn't there any excitement in the life of a salesman? Aren't there any challenges in modern selling? Has the drama gone out of salesmanship? Is the selling process so dull that it would be boring if seen in a creative entertainment form? I know how you would answer these questions, and I agree with you wholeheartedly. Are you willing to accept the notion that you can sell anything in the world -- except your professional occupation? I don't think you are.

I don't know why it should be difficult to get across the real importance of selling. After all, in one way or another, we are all salesmen. The young man, making the rounds of prospective employers, is selling himself. He is selling the potential contribution he can make to the successful operations of each company he visits. The junior management trainee, making a presentation to his supervisor, is selling an idea, perhaps his own idea, on how to do something a little differently, a little better than it's been done before. The committee chairman at the PTA meeting is selling a new approach to solving the library problem.

And no one should be so naive as to believe that decisions such as these are made solely on the cold, analytical balance of pros and cons. Because the decision-makers, whether individuals or groups, simply aren't good enough to respond with the cool calculation of a computer. As long as decisions are made by people, the decisions will turn on a wide range of input factors, some of which are objectively determinable, and others which are not.

So the concept of selling is part and parcel of the personal equipment of all of us in today's complex, interdependent world. We sell ideas, words, concepts, suggestions, thoughts, and we buy all of these things, every day of our lives. If this process of exchange, aided by selling, did not take place, our society, as we know it, would slowly but inevitably grind to a halt.

In the past year, since I came to Washington, I have found no reason to change my basic feelings in these matters. In fact, if anything, my inclinations have been reinforced by the course of events. Mr. Wooster, President of your Washington club, once said that the highest and most difficult form of salesmanship is in the field of public affairs. In my present position I find it easy to agree with Mr. Wooster's wise observation.

Seriously, there can be no dispute about one fact. In public affairs, particularly in the areas of business and economics, the decision-making process must be as free and open as the national security will permit. When proposals become official programs through the give-and-take of free and open discussion, when proposals become programs by selling themselves on their merits against competing proposals, then the final decisions will inspire confidence and trust. And we can confidently count on the wholehearted support of that segment of the public whose cooperation is vital to the success of the program.

President Johnson's voluntary balance of payments program offers a vivid illustration of what I am trying to describe.

Toward the end of 1964, it was obvious that the nation was going to register another large deficit in our international balance of accounts--the difference between the number of dollars leaving the country and the number of dollars entering the country during a particular year. Following several consecutive years of large deficits, the challenge to the American dollar threatened not only our own position, but all free world trade. Clearly, something had to be done.

If you toss a problem, any problem, into a roomful of people, all with the best of intentions but with slightly different backgrounds and responsibilities, you may get back as many different solutions as there are people in the room. There is nothing wrong with this, of course, and it may be that the wider the range of input, the higher the quality of the final output, provided the selling is done in a free and open atmosphere.

With respect to the balance of payments problem, the range of proposed solutions was predictably wide. One suggestion would have imposed an onerous tax on direct private investment abroad by American business. There was widespread talk of mandatory controls. These proposals were admittedly rather drastic, but some felt the problem was so urgent and complicated that drastic measures were needed.

Furthermore, any proposal, when considered by itself, and measured solely in terms of its positive contribution to solving the problem, inevitably stands out in a fairly favorable light.

Fortunately for the business community, and for the nation as a whole, counter-suggestions were advanced, explored, debated, and compared. When the discussions were finished, we had a program based on the voluntary cooperation of the banking and business communities of America.

I hasten to point out that the selling didn't stop on that day more than a year ago when the President chose the voluntary course. Practically as soon as the program was announced, it came under crossfire--first from those who were convinced it wouldn't work because there was too much Government interference and control, and then from those who were convinced it wouldn't work because there wasn't enough Government interference and control. For my part, I must confess to feeling some little satisfaction that, caught between such opposing forces, we must be doing something right.

There was never any doubt in my mind that the voluntary program would work, nor that it would receive complete cooperation from the business community once the situation was explained. In this connection, our Balance of Payments Advisory Committee, composed of leading businessmen, rendered outstanding service to the voluntary program and to the nation, both through their advice concerning the nature of the program and through missionary work around the country in behalf of the voluntary concept.

The results speak for themselves, underlining the basic soundness of President Johnson's voluntary program and the magnificent and continuing response of the American bankers and businessmen.

In 1965, our balance of payments deficit amounted to about $1.3 billion. This is the smallest overall deficit since 1957, when our international accounts showed a $500 million surplus. It is less than half the size of the deficits of $2.8 billion in 1964 and $2.7 billion in 1963. From 1958 through 1964, the annual deficits averaged $3 billion.

The improvement in our balance of payments last year, amounting to about $1.5 billion, is all the more striking an accomplishment because it was achieved in the face of a number of obstacles. Prominent among these obstacles was the decline in our trade surplus. A high level of economic activity at home, combined with a slackening pace in many countries abroad, caused our total imports to rise at a faster rate than our total exports. The result was a drop in our trade surplus from $6.7 billion in 1964 to $4.8 billion in 1965.

In addition, the travel gap widened, from $1.6 billion in 1964 to over $1.8 billion in 1965, although final figures are not yet in.

The increased build-up of our military forces in Vietnam also had an adverse impact.

Finally, the outflow of direct investment abroad rose substantially last year. The President's voluntary program wasn't announced until February 1965, and many long-range investments had already been committed by that time. However, the direct investment outflow began a downturn in the second quarter and dropped sharply to $515 million in the third quarter from $1.1 billion in the first. We are confident that fourth quarter figures will show that our program of moderating direct foreign investment is continuing to work very well indeed.

I am not trying to hold up the voluntary balance of payments program as a perfect example of how we should approach every problem facing us today. Nevertheless, there are interesting and significant lessons to be drawn from the balance of payments program. These lessons concern everyone who is interested in business-Government relations, in the nature of the democratic process, in the way our society arrives at decisions, and in the responsibilities of both public and private leaders in today's complex society.

The line between private business interest and the general, broader public interest is not always easy to define. Look around you. Is there a single businessman at this meeting whose business is not affected in some way by Government policy? By Government practices? By Government regulation? By Government spending?

This being so, the problem is not to try to isolate public and business interests. The goal must be to mesh the interests together, in a way that preserves the legitimate interests of all parties concerned.

In the process of merging the needs and aspirations of public and business interests, the rule of the game must be ventilation, not suppression. Full and open discussion of alternative courses of action must be assured. This is important, not only to protect the right of any proposal to have a fair hearing, but also to assure that even popular proposals are subjected to rigorous tests of validity and equity.

A voluntary, cooperative approach, such as was adopted in the balance of payments program, does impose what I would call "welcome hardships" upon the Government. Think how much easier my life would have been during the past year if a compulsive, legislated, mandatory approach had been used. I could have stayed close to home while the inexorable process of the law had been played out. Of course, you and I know that such an approach, while assuring

100 percent participation, probably would have ended in failure, as far as the payments deficit is concerned. Instead I had to travel all across this wonderful land of ours, meeting with businessmen, explaining the problem and our plans for solving it, persuading them that working together business and government could do a very important job for the country and for business, too.

I not only talked but listened. I heard the views of business and solicited constructive suggestions. Through the mutual exchange the problem gained perspective and definition and the voluntary program won the force of their support.

Well, as I said, it was a "welcome hardship". To tell you the truth, I enjoyed it. And if that makes me a salesman, well, I like that, too.

They say that old fire horses always strain at the sound of the gong. I don't know what the analogous response is for old salesmen, but I have a hunch that if and when the bell rings again, I'll be ready to answer it, and I hope that all of you will be, too.

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