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THE ADMINISTRATOR OF NATIONAL BANKS

WASHINGTON, D.C. 20220

October 7, 1974

TO: Secretary William E. Simon

THRU: Deputy Secretary Stephen S. Gardner

FROM: James E. Smith  
Comptroller of the Currency

SUBJECT: Sale of the Franklin National Bank

As you are aware, for the past five months the FDIC, the Federal Reserve Board, and the Comptroller have been searching for a solution to the unstable condition of the Franklin which would protect all depositors of the bank and which would minimize the impact of the bank's probable demise upon the confidence of the public in the banking system. We believe that a solution has been devised which will achieve these two goals. The prospects appear to be good that we will obtain on Tuesday, October 8, satisfactory bids from one or more of four large banking organizations for the purchase of a substantial portion of the assets and all of the deposit liabilities of the Franklin. Deposit liabilities presently approximate \$1.4 billion. The transaction contemplates that the depositors will have uninterrupted use of their funds, with the acquiring bank opening all of Franklin's offices and accounts as their own the next morning.

We are assured of bids from two of the four banks: Manufacturers Hanover (\$18 billion) and European American (an association of six large European banks with combined assets of \$85-90 billion). We believe that two additional banks, Chemical Bank (\$16 billion) and First National City Bank (\$38 billion) will also probably bid on the Franklin.

Citibank has voluntarily suggested that, if it should be the successful bidder, it would divest or close 45 of the branch offices within 24 months to reduce anti-competitive effects. The Anti-Trust Division is not entirely satisfied with this proposal, although it has assured Citibank it will not sue. However, Anti-Trust may endeavor to persuade me, in the conduct of my duties under the Bank Merger Act, or the receivership Court to reject a Citibank assumption if



European-American makes an acceptable bid close in amount to Citi's. My present thinking is to approve a Citibank takeover if it is in fact the high bidder. I believe that the Franklin debenture holders and shareholders will have a legitimate complaint if the high bid is not approved.

The procedure for this acquisition will be for the interested banks to submit to the FDIC on Tuesday morning their bids for the assets and liabilities package, on the assumption that I will declare the Franklin insolvent later on Tuesday. If there is a satisfactory bid, I will in fact declare the bank insolvent at 3 P.M. Tuesday, appoint the FDIC as receiver, and the FDIC will immediately proceed to accept the most satisfactory bid. The bid amount will be the premium for the going concern aspects of the purchase. The assuming bank will be allowed to "cherry pick" all of Franklin's assets (including those securing the FRBNY loan) to obtain assets equal to the deposits and other liabilities it will assume. The FDIC will give an interest-bearing note to the Federal Reserve Bank of New York for the release of its \$1.7 billion note of the Franklin and receive in return the \$2.0 billion in assets of the Franklin being held by FRBNY as collateral. The FRBNY note will be paid out as the assets are liquidated by the receiver. Any balance remaining at the end of three years will be paid in a single payment by the FDIC. Any net return to the FDIC from the premium and the assets, after paying the note to the FRBNY and covering the FDIC's receiver costs, would be applied to the claims of the bank's creditors.

If none of the bids received should meet the FDIC's minimum figure, I would not proceed to the declaration of insolvency on Tuesday. The regulators would have to reconsider the possibility of an expensively-assisted Franklin continuing independently, versus the alternative of a payout. However, on the basis of our present knowledge of the bidding banks' intentions, I consider the possibility of receiving no adequate bid as very remote. The FDIC's minimum figure is required by statute to be sufficient to assure that in all probability the assisted sale will result in a lower cost to the government than a payout on the closed bank. We expect to receive bids comfortably above the FDIC's calculated target.

Assuming that the receiver has accepted a satisfactory bid on Tuesday shortly after 3 P.M., we will proceed to a pre-briefed federal judge who will hear the receiver's and the Comptroller's arguments as to the necessity and fairness of the proposed purchase-and-assumption transaction, and presumably he will approve it. The Comptroller's affidavit



will contain an extensive explanation of the circumstances leading to the declaration of insolvency, including the temporary nature of the Fed's financial assistance and their recent determination in a letter to me that it is not in the public interest for the note to continue to remain unamortized, a condition which the Franklin cannot remedy in the foreseeable future. Also described will be the effort made by all parties concerned to develop a resolution of the problem in the form of the continued existence of the Franklin with certain FDIC financial assistance; after extensive study it was concluded that the cost would be too great for the FDIC. I also had Blyth Eastman Dillon analyze the financial prospects for Franklin if it received substantial FDIC assistance, and they concluded that there was no realistic prospect even then that the bank would become financially viable in the foreseeable future.

Because of the possibility of immediate litigation for a restraining order from some shareholders and creditors, the whole transaction must remain undisclosed until shortly after 3 P.M. Tuesday. The increasing prospect of advance restraining litigation and the possible dissolution of the remaining going-concern value of the bank is one of the key factors in the decision to press ahead with the bidding procedure at the earliest possible time. We will notify interested members of Congress shortly after 3 P.M. Tuesday.

In conclusion, I should point out that the Franklin situation is a relatively unique one that we do not expect to see repeated. It had a ten-year history of only marginal existence as a New York City bank and an unimpressive management reputation that undercut confidence in it in financial circles. Most importantly, it had expanded in the purchased money area during 1973 at an incredible rate, leaving it no ability to handle the tight money situation and the "move to quality" by money market participants. At the time our November 1973 examination revealed to us the serious state of affairs at the bank, about 50% of its liabilities were in the form of purchased money. We have no other banks in such a drastic and unfavorable configuration as Franklin was, and the greatly heightened awareness of both bankers and examiners to the importance of liquidity should help prevent future over-extension in this area. In addition, our agency's own analytic and predictive skill in the liquidity area is being expanded by an extensive liquidity data collection program, which we will analyze ultimately with computer models. Our Haskins and Sells study will also equip our agency during the next year to better detect and deal with problem banks generally, and particularly to curtail major problems in their incipient stages.



S. H. S. S. S. S. S.  
9.4- 2801

SUBJECT: Franklin National Bank

Since the Bank's well-publicized difficulties in May which came to light as a result of substantial foreign exchange losses, the Federal Reserve Bank of New York has been providing, on a temporary basis, advances of more than \$1.5 billion secured by pledged assets while the Comptroller of the Currency and the Federal Deposit Insurance Corporation, along with the Federal Reserve, attempted to work out a long-term solution to the Bank's problems.

In September, the Bank's management submitted a plan to the FDIC under a provision of the Federal Deposit Insurance Act that would permit it to remain independent and convert its temporary loans from the Federal Reserve to a series of credit arrangements with the FDIC.


The plan was studied by the FDIC, the Comptroller of the Currency (who regulates national banks), and the Federal Reserve. The regulatory authorities engaged an outside consulting firm to evaluate the plan. The consultants reported that the plan did not present a realistic prospect and that the Bank could become financially sound in the foreseeable future. And the FDIC reported to Franklin that the proposal was not satisfactory in the form presented.

In addition to considering the Franklin's plan, the regulators arranged for other large banks authorized to do business on Long Island to present plans (bids) through which the bidders would assume the deposit liabilities of Franklin and purchase a substantial portion of the assets of the Bank.

Because Franklin has almost 100 branch offices in many desirable locations, principally on Long Island, the banks interested in acquiring Franklin's business are expected to offer to assume the liabilities (deposits) at less than book value, providing the FDIC with a cushion for liquidating the assets of the Bank. This cushion is typically called a premium.

This is a highly sensitive procedure and requires a determination by the regulators that a bid is in fact satisfactory in assisting the FDIC to achieve a lower cost to the government than if the Bank were simply closed, the insured depositors paid, and the assets liquidated.

The bidding procedure is taking place this morning. If an acceptable bid is obtained, then the Comptroller of the Currency must declare the Bank presently insolvent and appoint the FDIC a receiver and obtain approval of the appointment and the proposed transaction in a federal court.



A federal judge will hear these arguments shortly after 3:00 p.m. Because of the possibility of immediate litigation, the whole transaction must not be disclosed until it reaches the federal court. Further, if no satisfactory bids are obtained, the regulatory authorities will have to develop another plan for dealing with Franklin's problems.

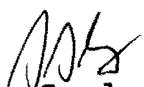
It cannot be stressed enough that the sensitivity of this whole process requires an orderly progression of events as described above. A key reason is that the FDIC insurance in a simple liquidation applies only to the extent of \$20,000 of depositors' funds. The regulators, to protect all depositors, are developing a plan that will pay out the full amount of deposit liability or assure its safety. A premature disclosure and an aborted plan could have enormously disruptive effects on the financial markets.

The processes going on now are the regular responsibilities of the regulatory authorities concerned and have occurred in the past with many smaller banks.

Franklin is the largest bank to have such difficulties in recent times; and if its affairs can be managed to prevent any loss to depositors and to effect an orderly plan of purchase and assumption by a strong bank, confidence in the banking system will be maintained.

The President's position should be that he knows the regulatory authorities--i.e., the Federal Reserve, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency (who administers national banks)--are working very hard to assure an orderly resolution of this large bank's problems. And if the regulators do appear before the federal court with an acceptable bid shortly after 3:00 p.m., he can say that he has been advised that this proposal represents the best solution in the opinion of the regulators to protect the depositors and customers of the Franklin Bank and maintain the confidence of the public that our banking system is sound and that we have the means within the FDIC and the Federal Reserve of dealing with large banks who get into such difficulties.

Further, we believe that the Franklin situation is relatively unique and one that the regulators do not expect to see repeated.

  
S. S. Gardner  
Deputy Secretary  
of the Treasury



THE WHITE HOUSE  
WASHINGTON

*Treasury*

March 6, 1975

MEMORANDUM FOR

Office of the Secretary of the Treasury

The attached letter from Mr. Vern Snyder has been acknowledged by this office and is referred to your office for any appropriate action.

*P.W.B.*  
Philip W. Buchen  
Counsel to the President

Enclosure



THE WHITE HOUSE

WASHINGTON

March 6, 1975

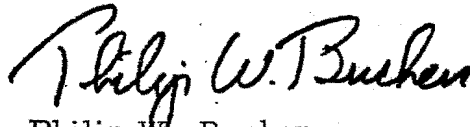
Dear Mr. Snyder:

Thank you for your kind letter of February 9, 1975.

Your suggestion that the President deliver an economic report every month is noted. However, the amount of time it would take to prepare such formal reports makes it impractical. Also, daily public discussions by, and appearances of the President's economic advisers serve to achieve the same result in part.

I will forward your letter to the appropriate office for review of your second suggestion concerning a coal export tax.

Sincerely,



Philip W. Buchen  
Counsel to the President

Mr. Vern Snyder  
Rural Route 4 - Box 7-D  
Punxsutawney, Pennsylvania 15767





Feb. 9, 1975

Mr. Bucher,

Would it be possible for the President to deliver a progress report to the people every four to six weeks concerning his efforts to do something with the economy?

I am a registered Democrat but must admit that the president is trying to do something. Unfortunately I missed the last session with Chancellor and Brokaw but was informed that Mr. Ford really made a decent impression. If he could make progress reports concerning the economy in the evocative and candid manner ala Harry Truman, we can only stand to benefit.

Thank you,  
Wm. Snyder

P5- over



Is it possible to place a special excise tax on every ton of coal shipped from our country to a foreign nation? If a large percentage of coal is shipped overseas, then American utility companies are going to pay a premium price for coal. When this happens, rising costs of the companies involved naturally will be passed to the consumer, thus the cycle continues. By putting a special excise tax on exported coal and committing a percentage of such to utility companies to cover their rising operating costs, consumers would have to benefit. The other percentage of that money could revert to the federal government to be used in energy related research and future implementation of upgrading current energy systems.



Treasury

Department  
of the Treasury

to: Mr. Philip W. Buchen

Under Secretary

room: \_\_\_\_\_ date: 3/26/75

As promised.



cc: Mr. Hills  
Mr. Silberman

Edward C. Schmults

room 3430

ext. 5363



REASONS WHY AGENCY COUNSEL SHOULD BE PRESENT  
WHEN EMPLOYEES ARE INTERVIEWED

Tactically, various approaches can be used in negotiating for the presence of agency counsel (not a supervisor), but it seems that the overall point of fairness and due process for the interviewee must be stressed. Following up on that point, one should also urge that the presence of agency counsel will not be a factor for delay but, indeed, will expedite the interviewing process. In this connection, the staffs of the Committees should be urged to try the process before they take a hard position against it. More specifically, the following points could be mentioned in the negotiations:

1. Basic fairness and due process -- an employee may be nervous and intimidated by the prospect of an interview. Certainly, he is entitled to the assistance of an agency lawyer in an interview about his official duties. The alternative may be the employees would be forced to incur the expense of a private lawyer which would create further security problems and more delay, etc. ("Delay" is a point to emphasize.)
2. The presence of agency counsel will expedite the interviewing process because counsel will be able to assist in rendering rapid determinations as to whether lines of inquiry may be fully explored. The point is that a nervous employee, uncertain of whether he is treading in highly sensitive areas, etc., may be inclined to check back repeatedly with his agency for clearance.
3. In the event a line of inquiry and the responses thereto indicate a possible violation of law by an employee, it seems only fair that the employee have somebody available other than his interrogator to advise him that he may wish to consult his own counsel before continuing. Surely, Congress will not wish to raise the specter of a "star chamber" process.
4. An agency has an obligation to investigate any misdeeds by its employees and, thus, there is every reason why the agency should be aware of the information furnished by such employees. (The relationship between items 3 and 4 should be noted and handled carefully.)
5. The staffs of the Committees will be making notes of the interviews, or taking transcripts, and the employee should be permitted to have his own note taker there. This will



be of benefit to the staffs since the employee will be free to think about and answer the questions. (Of course, this raises the thought that if negotiations are not successful, consideration should be given to insisting on a copy of the transcript of each interview.)

Two additional reasons for having agency counsel present which are important but should not be argued are:

1. From a "morale" standpoint, it indicates to the employee that his agency is standing with him.
2. With respect to former employees - and for that matter present employees -- alert agency counsel could discern questions which might seem uncontroversial, but which when related to questions asked of other employees reveal a line of inquiry that must be reviewed by senior policy officials before responses are made.



THE WHITE HOUSE  
WASHINGTON

March 25, 1975

*Secretary*  
*(see letter to*  
*show)*

Dear Congressman Esch:

Your letter of March 8 to the President concerning the Ferndale Michigan School District case was forwarded to my office for further response.

If the Secretary of the Treasury determines that a person in the United States has been denied the benefits of any program or activity funded by revenue sharing funds, then the Secretary may

- (a) refer the matter to the Attorney General who may bring a civil action;
- (b) terminate revenue sharing funds to the activity or program;
- or
- (c) take other appropriate action as provided by law.

It is my understanding that the Secretary has only determined to refer this matter to the Attorney General. No decision has been made to seek a termination of any revenue sharing funds at this time. If the Secretary decides to seek a termination at a later date of some or all of these revenue sharing funds to effect compliance then a very definite procedure must be followed. That procedure is set forth in 31CFR §51.32(f).

When a case of this kind is referred to the Department of Justice, the Attorney General may decide to file suit to seek compliance. At any stage during litigation the Department will consider any new school desegregation plan proposed by the Ferndale School District. Furthermore, such consideration will be in accordance with the congressional mandate which is found in the Esch Amendment in the Equal Education Opportunities Act of 1974.

At this time it would be premature for a Federal court to become involved in determining whether a particular plan is proper under the law because no final judicial decision has been rendered. However, if the Department obtains a court order as the result of such



litigation, then the Federal courts will become involved in finding the appropriate remedy.

I do hope that this discussion answers the questions which you raised in your letter. The persons at the Department of Justice who are responsible for this case are most willing to meet with you to discuss their actions.

Most Sincerely,



Philip W. Buchen  
Counsel to the President

The Honorable Marvin L. Esch  
House of Representatives  
Washington, D. C. 20515



THE WHITE HOUSE  
WASHINGTON

*Treasury*

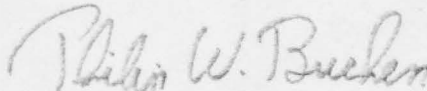
May 27, 1975

Dear Mr. Kahn:

By this letter I acknowledge receipt of your recent telegram requesting a meeting with me to discuss your proposal for payment of the national debt.

Because this matter does not come within my purview, it has been referred to the appropriate officials for their consideration.

Sincerely,



Philip W. Buchen  
Counsel to the President

Mr. Eli Kahn  
1232 Winemac  
Chicago, Illinois 60640





*Masung*

THE WHITE HOUSE

WASHINGTON

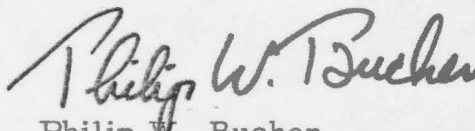
June 14, 1975

Dear Mr. Sragow:

This acknowledges your letter of May 24 regarding New York City's request for temporary Federal financial assistance and suggesting a joint Federal-State audit of the City's affairs.

On the basis of our analysis, we believe it is up to the City and State of New York to resolve the City's financial problems. As you know, the President has decided not to request Federal legislation to provide temporary financial assistance to the City. Therefore, a joint audit that would involve the Federal Government would not seem to be appropriate.

Sincerely yours,



Philip W. Buchen  
Counsel to the President

Mr. Stanley J. Sragow  
Counselor at Law  
28-53 Steinway Street  
Long Island City, New York 11103



THE WHITE HOUSE  
WASHINGTON

*Erasmus*

July 22, 1975

MEMORANDUM FOR: ELISKA HASEK

FROM: PHILIP BUCHEN *P.W.B.*

SUBJECT: Autographing of Currency

Autographing of currency by the President does not raise a legal problem. 18 U.S.C. 333 prohibits the mutilation, defacement or disfiguration of currency with "the intent to render such bank bill, draft, note, or other evidence of debt, unfit to be reissued...." The Secret Service legal counsel has confirmed that neither this nor any other statute prohibits the autographing of currency. The same is true with respect to savings bonds.

In terms of whether this practice is appropriate, it is my understanding that while a member of Congress, the President adopted a policy to autograph currency. Additionally, the attached bills indicate that the Secretary of the Treasury and the Treasurer of the United States apparently feel that this is not a problem. While I agree with you that we should not encourage cash to be sent to the White House, we do not assume the risk when people send it through the mails. In terms of the risk, it is unlikely that people will send in bills of large denominations. Finally, I see no difference between using the autopen on a dollar bill or a picture.

While I appreciate your concerns, I, therefore, defer to Mildred Leonard as to what policy the President wishes to adopt in this area.



THE WHITE HOUSE  
WASHINGTON

July 16, 1975

Phil,

Just as the attached memo was being sent out to you this morning, this \$200 savings bond was sent over from Anne Kamstra's office.



Eliska Hasek



THE WHITE HOUSE


WASHINGTON

July 15, 1975

MEMORANDUM FOR MR. BUCHEN

Phil, to my knowledge paper money sent to the White House in previous administrations for autographing by the President has always been returned to the sender with a note that it is not appropriate for the President to do this.

I note that the attached memo from Mildred says that your office has informed her that it is absolutely not illegal. My question to you is whether it is appropriate. There are many requests of this type. So far the number has been somewhat kept down because the response has always been negative. If we start doing this, however, many individuals will start sending in not just one dollar bills, but bills of higher denomination. We risk problems of lost or misplaced money, complaints by people that the signature is not real, etc. I think that, before the long-standing policy we have followed is reversed, we should think about some of these potential problems and see if it is really worth it. Couldn't we instead return the money and send them an autographed photo?

  
Eliska Hasek

Atts.

THE WHITE HOUSE  
WASHINGTON

To Eliska Hasek  
From Anne Kamstra  
July 14, 1975

Please autograph the enclosed dollar bills.

-- per Mildred Leonard and Phil Buchen

Thank you  
Anne



THE WHITE HOUSE  
WASHINGTON

TO: Anne

FROM: MILDRED LEONARD

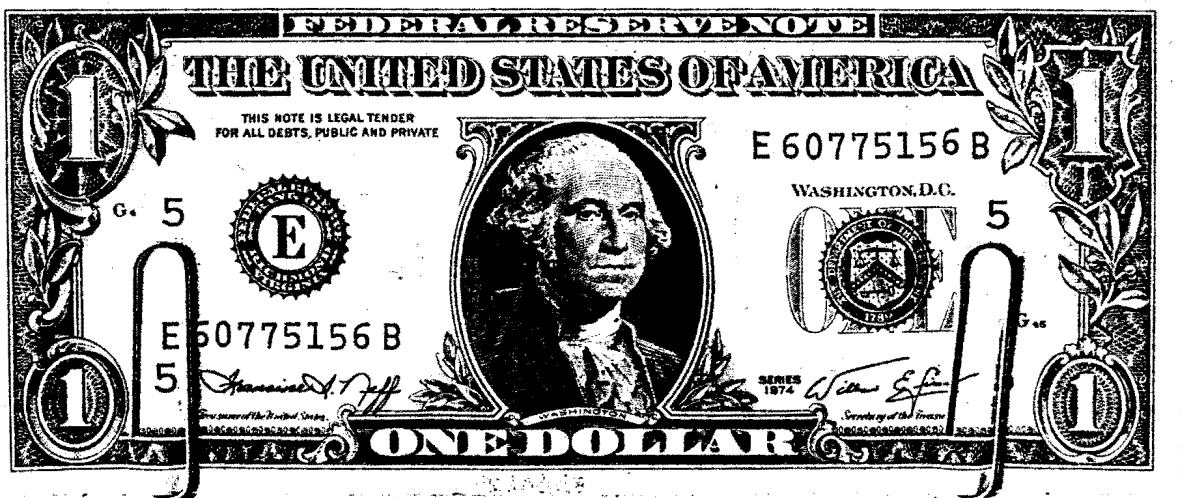
FOR: Information \_\_\_\_\_

Appropriate Handling \_\_\_\_\_

Anne - please have these autographed. I have checked with Mr. Buchen's office and I am told that it is absolutely not illegal, and whether or not it was former White House policy doesn't make any difference.

DATE: 7/11/70

Please autopen for John T. Vivian



Please autopen for:

Clarence E. Ziegler, Jr.





Please autograph this bond for: Catherine D. Bellinger.

We have routed it through the Legal Office and they say there is nothing illegal about signing a Savings Bond.

**UNITED STATES SAVINGS BOND**

**200**

1776 BICENTENNIAL 1976

**THE UNITED STATES OF AMERICA**  
AT THE ORIGINAL MATURITY HEREOF WILL PAY  
**TWO HUNDRED DOLLARS**

To **CATHERINE D. BELLINGER** 153-16-2255  
OR  
**CRISTIAN M. BELLINGER**  
P.O. BOX 1113  
GALLUP, NEW MEXICO 87301

**ISSUE DATE**  
WHICH IS THE FIRST DAY OF  
**JUNE 1975**  
(MONTH) (YEAR)

**FIRST STATE BANK**  
AGENT'S

DATING STAMP  
**JUN 20 1975**

**GALLUP, NEW MEX.**  
R 200 008 124 E

**SERIES E**

THIS BOND IS ISSUED UNDER AUTHORITY OF THE UNITED STATES SAVINGS BOND ACT, AS AMENDED, AND IS SUBJECT TO THE TERMS AND CONDITIONS STATED THEREON. IT WILL BE VALID ONLY IF DULY INSCRIBED AND DATED, AND DELIVERED BY AN AUTHORIZED AGENT FOLLOWING RECEIPT OF PAYMENT THEREFOR.

CROSSING THROUGH DELAWARE

THE TREASURY DEPARTMENT WASHINGTON

*W. E. [Signature]*  
Special Agent in Charge

**NO PURCHASE NECESSARY**

*Treas.  
Dept.*

July 30, 1975

Dear Mr. Scott:

This is in response to your letter of June 25, 1975, to Dr. Theodore C. Marrs in which you request an investigation into alleged harrassing searches performed by the United States Custom Service in connection with the Ambassador College aircraft and its occupants.

I have referred your letter to the Department of the Treasury which has supervisory jurisdiction over the Customs Service for appropriate review and response directly to you. It is my understanding that the Department will be in touch with you shortly.

Sincerely,

Philip W. Buchen  
Counsel to the President

William W. Scott, Esq.  
Collier, Shannon, Rill & Edwards  
1666 K Street, N. W.  
Washington, D. C. 20006

bcc: David R. Macdonald  
Ted Marrs



July 30, 1975

MEMORANDUM FOR

DAVID R. MACDONALD  
ASSISTANT SECRETARY  
OF THE TREASURY

The attached correspondence from Mr. William W. Scott to Dr. Theodore G. Marrs, dated June 25, 1975, concerning alleged harrasing searches performed by the Customs Service in connection with the Ambassador College aircraft, has been acknowledged and is forwarded to you for appropriate review and response directly to Mr. Scott.

Thank you,

Barry N. Roth  
Assistant Counsel

BNR:eb

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 4, 1975

Time:

FOR ACTION:

Phil Buchen ✓  
Jim Cannon  
Max Friedersdorf

cc (for information):

Jack Marsh  
Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date: August 7, 1975

Time: Noon

SUBJECT:

Secretary Simon's Memo of July 31, 1975  
re: Issuance of \$2 Federal Reserve Note.

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

Approved.

*PWB*



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor  
For the President



THE SECRETARY OF THE TREASURY  
WASHINGTON 20220

July 31, 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Issuance of \$2 Federal Reserve Note

Currency and coinage matters are understandably in the public domain. For well over a year we have been receiving an increased number of suggestions favoring the reissuance of the \$2 bill. Collectors, persons interested in the Bicentennial, the American Revolution Bicentennial Administration, and a number of congressmen have made such suggestions.

The Treasury has informally announced that it is studying such a plan in response to these queries. We have met with and obtained the concurrence of the Federal Reserve Board and have established a Treasury/FRB task force for further planning. In addition, the Bureau of Engraving and Printing is developing design alternatives. I have the authority to act and I have informally discussed the idea with the Economic Policy Board. Before going further, I would like to seek your advice and/or agreement.

Summarizing the important issues:

The \$2 note, one of the earliest denominations in our currency, was removed from circulation in 1966 because it did not successfully circulate with the public. There have been numerous studies of this lack of popularity, going back at least to 1925. There is no consensus among analysts that supports a single explanation for the public's apathy. Superstition, business resistance, confusion with \$1 notes, and other problems are cited.

The public is the key factor in the successful circulation of coin and currency. Banks order specific denominations and blocks of currency from the Fed to meet their business and individual customers' needs. When a coin or bill is not popular, it is simply returned through this mechanism to the Federal Reserve Banks.

Conversely, the Canadians have had good success with the \$2 denomination. That bill is a different color but that is a characteristic of each unit of their paper currency. Further, while some recent market analyses, the Harris Poll and a study done for the Federal Reserve by the Harvard Business School, have confirmed the lack of latent public demand, the consumers polled indicated they would readily accept the \$2 bill.




The Bureau of Engraving and Printing estimates that the replacement of one half of the \$1 bills presently in circulation could result in cost savings of approximately \$4 million per year. There would be additional savings to the Federal Reserve System from reduced handling and destruction costs.

The Treasury/FRB task force believes that a reissuance of the \$2 bill will require a strong marketing effort to assure that we achieve the objective of a useful level of circulation. The Federal Reserve has asked that at least 400 million notes be issued within the first year and the circulation level of the note be the determinant of its continuation. This is for normal currency use. A collateral program would also be run to print and sell proof sets to satisfy the demands of collectors and assure that the note does not become an oddity. The Harvard Business School study conclusions emphasize that the success of the project would require "an educational campaign designed to dispel misconceptions and promote the advantages of the two dollar denomination."

The most important aspect of such a promotion would be the linking of the \$2 bill to the Bicentennial year. The most recent \$2 bill contained the portrait of Thomas Jefferson, the author of the Declaration of Independence. Some public inquiries and those from the ARBA have indicated an interest in the commemorative features of the bill. The Bureau of Engraving and Printing is developing an engraving of the famous painting depicting the signing of the Declaration for the back of the currency. This will permit the insertion of the dates 1776-1976.

There have been other design suggestions, including the use of different colors, different sizes of currency, and other portraits. Some urge that a woman or a minority group figure be shown on the face of the note. However, we do not think it feasible to conduct public design competition.

While the reintroduction of the \$2 bill will require a vigorous effort to achieve wide public use, such a bill would be a convenience to the public and to the government. The project would be an Administration initiative that would touch all citizens. Prior to making a final determination, I would consult with the congressional committees and subcommittees on the attached list. A number of the chairmen of these committees will welcome the project. In addition, we would use interagency and congressional help to develop the program and select an appropriate Bicentennial theme.

  
William L. Simon

Attachment

CONGRESSIONAL COMMITTEES and SUBCOMMITTEES TO BE CONSULTED in  
CONNECTION with REISSUANCE of the TWO DOLLAR BILL

1. House Committee on Banking, Currency and Housing  
Henry S. Reuss (Wisc) Chairman  
Albert W. Johnson (Pa) Ranking Republican
  - A. House Subcommittee on Historic Preservation and Coinage  
(of the House Banking Committee)  
Robert G. Stephens, Jr. (Ga) Chairman  
Richard T. Schulze (Pa) Ranking Republican
2. House Committee on Government Operations  
Jack Brooks (Texas) Chairman  
Frank Horton (N.Y.) Ranking Republican
  - A. House Subcommittee on Commerce, Consumer, & Monetary Affairs  
(of the House Government Operations Committee)  
Benjamin S. Rosenthal (N.Y.) Chairman  
Garry Brown (Mich) Ranking Republican
3. House Subcommittee on Treasury, Postal Service, and General Government  
(of the House Committee on Appropriations)  
Tom Steed (Okla) Chairman  
Clarence E. Miller (Ohio) Ranking Republican
4. Senate Committee on Banking, Housing and Urban Affairs  
William Proxmire (Wisc) Chairman  
John G. Tower (Texas) Ranking Republican
  - A. Subcommittee on Consumer Affairs  
(of Senate Banking Committee)  
Joseph R. Biden, Jr. (Del) Chairman  
Jake Garn (Utah) Ranking Republican
5. Senate Subcommittee on Treasury, Postal Service, and General Government  
(of the Senate Appropriations Committee)  
Joseph M. Montoya (N.M.) Chairman  
Henry Bellmon (Okla) Ranking Republican
6. Senate Subcommittee on Consumers  
(of the Senate Commerce Committee)  
Frank E. Moss (Utah) Chairman  
James L. Buckley (N.Y.) Ranking Republican



THE GENERAL COUNSEL OF THE TREASURY  
WASHINGTON, D.C. 20220

*Treas.*

SEP 2 1975

MEMORANDUM TO THE HONORABLE PHILIP W. BUCHEN  
COUNSEL TO THE PRESIDENT

Subject: Duplicate Congressional Hearings

Pursuant to our discussion on August 28, 1975, the following is a brief summary of the overlapping Congressional inquiries affecting the Treasury Department.

U.S. Secret Service

In addition to the inquiries and investigations by the Select Intelligence Committees of the House and Senate, the Secret Service has dealt with requests from the Subcommittee on Government Information and Individual Rights of the House Government Operations Committee.

Customs Service

Investigations have been conducted concerning intelligence activities of the Customs Service by the Select Intelligence Committees and two others. The Government Information and Individual Rights Subcommittee and the Permanent Subcommittee on Investigations of the Senate Government Operations Committee have sought various documents from Customs concerning Southeast Asia narcotics trafficking and drug enforcement operations and procedures.

IRS

The most extensive duplication of Congressional inquiries affecting Treasury have related to the IRS. In addition to the Senate and House Select Committees and the Senate and House Appropriations Committees, the Secretary and Commissioner have appeared or are scheduled to appear before various Congressional committees to discuss issues involving IRS issues similar to those before the Select Committees. These have included the following:

House

- Government Information and Individual Rights Subcommittee of the Committee on Government Operations





- Subcommittee on Labor Standards of the Education and Labor Committee
- Commerce, Consumer and Monetary Affairs Subcommittee of the Committee on Government Operations
- Ways and Means Oversight Subcommittee
- International Economic Policy Subcommittee of the Committee on International Relations

Senate

- Oversight Subcommittee of the Senate Finance Committee

(Signed) Richard R. Albrecht

Richard R. Albrecht  
General Counsel

THE WHITE HOUSE  
WASHINGTON

*10/20/75*

August 7, 1975

Dear Mr. McGoff:

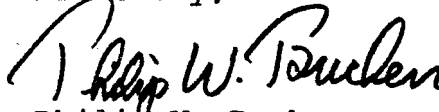
Your recent telegram to the President concerning the Washington Star case before the Federal Communications Commission has been referred to me for reply.

The comments of Secretary Simon in no way involved urging that illegal action be taken within the Executive Branch, and they did not constitute an intrusion on his part into the judicial processes of an independent regulatory agency.

The criticism voiced by Secretary Simon went to the inconclusive nature of the FCC order on August 1, 1975, which had been issued in response to a petition filed February 11, 1975, (which followed an earlier submission in November 1974) and to the delays still ahead before the petition is disposed of one way or the other.

Granted that the issues presented may be more complex than appeared from newspaper reports of the case, it is still in the public interest to urge that the time within which conclusions are reached ought reasonably to fit the exigencies of the case.

Sincerely,



Philip W. Buchen  
Counsel to the President

Mr. John P. McGoff  
President  
Star Newspaper Company  
P.O. Box 1740  
East Lansing, Michigan 48823

THE WHITE HOUSE  
WASHINGTON

*Treasury*

August 12, 1975

MEMORANDUM FOR

THE HONORABLE STEPHEN GARDNER  
DEPUTY SECRETARY OF THE TREASURY

In connection with Bill Simon's interest in the position taken by FCC in the Washington Star proceeding, I enclose a copy of a memorandum from the Department of Justice addressed to Jim Cannon, with copy to me.

*P.W.B.*

Philip W. Buchen  
Counsel to the President

Enclosure



THE WHITE HOUSE

WASHINGTON

September 2, 1975

*Treasury*

MEMORANDUM FOR: BARRY ROTH

FROM: PHIL BUCHEN

*P.W.B.*

Please check tomorrow's <sup>\*</sup>Federal Register for a Treasury Department item concerning the tax aspects of travel by various persons on the Presidential plane and get a copy for me.

*\* Sept 3.*



THE WHITE HOUSE

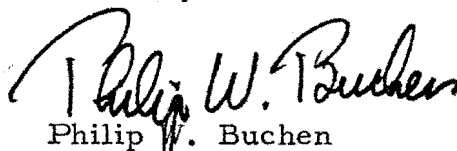
WASHINGTON

September 16, 1975

Dear Mr. Secretary:

In behalf of the President, I direct protection, within the powers and duties of the United States Secret Service, for the Foreign Minister of the USSR, Andrei Gromyko, during the period from September 15 until September 25, 1975, when he will be in the United States.

Sincerely,

  
Philip W. Buchen  
Counsel to the President

The Honorable William Simon  
Secretary of the Treasury  
Washington, D. C. 20023



*Treas.*

October 9, 1975

**Dear Mr. Secretary:**

**In behalf of the President, I am directing protection within the powers and duties of the Executive Protective Service and the United States Secret Service for the Spanish Mission to the United Nations located in New York City.**

**Protection for this Mission should continue until October 17 unless review of intelligence information justifies an earlier termination date. Fixed post protection should be provided to the Mission within the building where it is operating, during the hours when the office is open for business.**

**Sincerely,**

*121*

**Philip W. Bushen  
Counsel to the President**

**The Honorable William Simon  
Secretary of the Treasury  
Washington, D. C. 20023**

**bcc:**

- Howard R. Tyler, Jr., Deputy Attorney General, Justice**
- Robert S. Ingersoll, Deputy Secretary of State**
- John Thomas, Assistant Secretary of State for Administration**
- Ambassador Robert O. Blake, Deputy Assistant Secretary for International Organization Affairs, State Department**
- H. S. Knight, Director of Secret Service**
- General Brent Scowcroft**
- Donald Rumsfeld**



THE WHITE HOUSE  
WASHINGTON

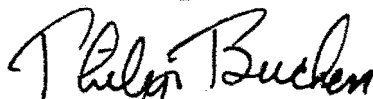
November 6, 1975

Dear Mr. Wood:

Thank you very much for your letter of  
October 30.

I have referred a copy of it to the  
Department of Treasury which has juris-  
diction over the Secret Service.

Sincerely,



Philip W. Buchen  
Counsel to the President

Mr. William P. Wood  
5545 Sky Parkway  
#201  
Sacramento, California 95828



THE WHITE HOUSE

WASHINGTON

December 17, 1975

*Ther...*

MEMORANDUM FOR: DICK CHENEY

FROM: PHIL BUCHEN *P.*

SUBJECT: Request for Secret Service  
Report on Incident of  
Unauthorized Entry to the  
White House Grounds

At this morning's staff meeting when you were absent, Bill Simon raised the point that he had not been advised of the request which the press has reported was made by you to the Secret Service for a report on the incident of the man who twice scaled the White House fence to get onto the White House grounds.

I suggest that you call Bill Simon on this matter.





*Copy Buchen*

ACTION MEMORANDUM

Date: July 9, 1976

Time:

FOR ACTION:

cc (for information):

Phil Buchen

Bill Seidman

Jim Cannon

Jack Marsh

Max Friedersdorf

Brent Scowcroft

FROM THE STAFF SECRETARY

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DUE: Date: Monday, July 12 Time: 2 P.M.

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SUBJECT:

William E. Simon memo 7/8/76  
re: INTERPOL

## ACTION REQUESTED:

For Necessary Action
   
  For Your Recommendations  
 Prepare Agenda and Brief
   
  Draft Reply  
 For Your Comments
   
  Draft Remarks

## REMARKS:

This controversy involves a total of three employees and thus would not appear to be a question of Presidential dimension. The Domestic Council should arrange a meeting between Justice and Treasury in order to resolve the matter in an amicable fashion.

Phil Buchen 7/13/76

**PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.**

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor  
For the President

