

**NOMINATIONS OF WILLIAM E. SIMON, OF NEW JERSEY, TO BE DE-  
PUTY SECRETARY OF THE TREASURY AND EDWARD L. MORGAN, OF  
ARIZONA, TO BE AN ASSISTANT SECRETARY OF THE TREASURY**

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**HEARING**  
**BEFORE THE**  
**COMMITTEE ON FINANCE**  
**UNITED STATES SENATE**  
**NINETY-THIRD CONGRESS**  
**FIRST SESSION**

—————  
JANUARY 11, 1973  
—————

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# NOMINATIONS OF WILLIAM E. SIMON TO BE DEPUTY SECRETARY OF THE TREASURY AND EDWARD L. MORGAN TO BE AN ASSISTANT SECRETARY OF THE TREASURY

THURSDAY, JANUARY 11, 1973

U.S. SENATE,  
COMMITTEE ON FINANCE,  
Washington, D.C.

The committee met, pursuant to notice, at 2:35 p.m., in room 2221, Dirksen Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long, Hartke, Ribicoff, Byrd, Jr., of Virginia, Nelson, Mondale, Bentsen, Bennett, Curtis, Fannin, and Hansen.

The CHAIRMAN. The committee will come to order.

At this point, I would suggest that we call Mr. Simon and Mr. Edward Morgan together. I think we can hear the two of them together. Mr. Simon, for the record, I will submit your biographical sketch for the record and Senator Williams would like to introduce you. If you have any statement to make in connection with your duties and responsibilities and how you expect to administer them, the committee would be glad to hear it.

(The biographical sketch of Mr. Simon follows:)

## WILLIAM E. SIMON

Mr. Simon is Senior Partner in charge of the Government Bond Department and the Municipal Bond Department of the New York City investment banking firm of Salomon Brothers. He joined Salomon Brothers in January 1964, was elected a Partner in October 1964 and was elected to the firm's Executive Committee in 1970.

He was active in the Investment Bankers Association of America from 1955 until 1972, serving on the Board of Governors (1966-67), on the Executive Committee (1960-68, 1970) and as chairman of several committees. When the organization merged with the Association of Stock Exchange Firms in 1972 and became the Securities Industry Association, Mr. Simon was elected to the Board of Governors, the Executive Committee and the Governing Council, and was elected Chairman of the SIA's Public Finance Council.

Mr. Simon was born November 27, 1927, in Paterson, New Jersey. He received his B.A. degree from Lafayette College, Easton, Pennsylvania, in 1951, and began his career in finance in 1952 with Union Securities, where he became Assistant Vice President and Manager of the firm's Municipal Trading Department in 1955. In 1957 he joined the investment banking firm of Weeden & Company as Vice President, a position he held until joining Salomon Brothers.

Mr. Simon is a member of the Chemical Bank Lower Manhattan Advisory Board and is a founder of the Association of Primary Dealers in U.S. Government Securities, which he served as President and Executive Committee member from 1968 to 1970. He is a member of The Bond Club of New York and a member of the Board of Governors of The Municipal Bond Club of New York, which he served as President during 1971-72.

He is National Chairman of Fund Raising for the U.S. Olympic Committee and is a Trustee of Lafayette College, The Mannes College of Music in New York City, and Newark Academy in Livingston, New Jersey.

Mr. Simon is married to the former Carol Girard. They have seven children.

The CHAIRMAN. Senator Williams.

**STATEMENT OF HON. HARRISON A. WILLIAMS, JR., A U.S. SENATOR FROM THE STATE OF NEW JERSEY**

Senator WILLIAMS. Mr. Chairman, and members of the committee. I am most pleased to appear before you today to introduce to the committee Mr. William E. Simon, the President's nominee for the post of Deputy Secretary of the Department of the Treasury.

Mr. Simon is a native of my State of New Jersey, currently living in New Vernon, N.J.

I have had the privilege of working with Mr. Simon over the years, particularly on matters relating to the securities industry, and I have the utmost respect for his talent, knowledge, and ability.

Mr. Simon has some two decades of experience in the field of finance. Until very recently he was a partner in the firm of Salomon Bros., an organization he had been with since 1964.

His most recent position with Salomon Bros. was as partner-in-charge of the Government bond and municipal bond departments; he was also a member of the firm's administrative committee.

He has served as a member of the executive committee and the Board of Governors of the Investment Bankers Association of America, and as a member of the governing council, the board of directors, and the executive committee of the Securities Industry Association.

Mr. Simon has also served as a member of the Special Advisory Liaison Committee of the Department of Housing and Urban Development; the Special Advisory Board of the Federal National Mortgage Association; and the National Advisory Council of the Small Business Administration.

He is a native of Paterson, N.J., and attended Newark Academy in Livingston, N.J. and Lafayette College in Easton, Pa.

Mr. Chairman, I believe that Mr. Simon's selection for the important post of Deputy Secretary of the Treasury was a particularly good choice.

In my judgment, he will bring to this position a rich background of experience in finance, as well as great dedication to his work.

It is with great pleasure that I present Mr. Simon to the committee, and urge you to recommend his confirmation by the Senate.

**STATEMENT OF WILLIAM E. SIMON, NOMINEE TO BE DEPUTY SECRETARY OF THE TREASURY**

Mr. SIMON. Mr. Chairman, members of this distinguished committee, I am here today as the President's nominee for the post of Deputy Secretary of the Treasury.

As my biographical statement will show, I was born in Paterson, N.J., and attended Newark Academy in Livingston, N.J. In 1951 I received a bachelor of arts degree from Lafayette College in Easton, Pa.

I began working with Union Securities in 1952 and in 1955 became assistant vice president and manager of the municipal trading department.

From 1957 to 1964 I served as vice president of Weeden & Co., after which I joined Salomon Bros. & Hutzler. In October of 1964 I became a partner and in 1970 an executive committee member of the firm. I served in these posts until nominated by the President to become Deputy Secretary of the Treasury on December 7, 1972. My resignation from Salomon Bros. will become official upon my confirmation by the Senate.

In the past, in managing the Public Finance Division of the Investment Bankers Association, I have been privileged to work with your committee, and I have benefited greatly from our exchange of views. I intend, as Deputy Secretary, to work closely with you and your outstanding staff as well as with your colleagues in the Senate.

In accordance with your procedures, I have provided the committee with a biographical statement as well as with a copy of the blind trust agreement under which my financial assets are managed by Morgan Guaranty Trust Co. of New York as trustee.

Upon the announcement of my nomination, I removed myself immediately from any and all economic interest in Salomon Bros. I also resigned from all outside directorships and related responsibilities. Finally, I have also supplied the committee with a letter from my attorney, Howard G. Wachenfeld of Lum, Biumno & Tompkins, 550 Broad Street, Newark, N.J., which provides his opinion that my financial arrangements are in conformity with the conflict of interest statutes.

All of my personal assets, including the cash settlement from Salomon Bros., will be turned over to the blind trust. I have placed restrictions on the trust even more severe than what is required to comply with the letter of the law and have restricted the trustees so that they cannot invest in U.S. Government or agency securities.

I stand ready to respond to any questions which you may have.

Thank you.

The CHAIRMAN. I have just a few, Mr. Simon.

One, you have had a great deal of experience in marketing tax-exempt bonds. If the issue of tax exemption is raised as part of a tax reform bill, do you think you would be in a position to act objectively and in the best interests of the Treasury Department in making recommendations with regard to a measure of that sort?

Mr. SIMON. Yes, Mr. Chairman, I do. I hope that my experience of somewhat more than 20 years in the investment banking world would be looked upon as an identity of interest rather than as a conflict of interest and that my views as a senior member of the Treasury staff would be determined by the best interests of our country, and not shaped by any parochial view.

The CHAIRMAN. Since you have mentioned that word "identity" of interest, I am frank to tell you that some years ago, when I personally had some doubts about a conflict of interest problem, I went to Senator Gene Milliken, who served with distinction as chairman of this committee at one time. At that particular time, I was serving with him on the Interior Committee. That was before I became a member of

this one, as I recall. I sought his advice because he was an outstanding lawyer and highly respected by the Senate.

Senator Milliken informed me that when he had a question that might involve a conflict, he first tried to decide whether his interest was parallel to the interest of the State he represented. If his interest was parallel to the interest of his State, he dismissed it; he gave no further thought to it. But if on the other hand, what might be good for the people of the State of Colorado, which he represented, was an interest in conflict with his own personal interest, at that point, he felt that he should at least identify his interest and make it clear. Of course, he felt, and I do, too, that there is a difference between the interest of a legislator and the interest of an administrator.

Now, in your case, in many cases, you would be the executive making the decision, not one legislator advocating it. You would be the arbiter, the fellow who makes the decision. That does, at least in my judgment, make it somewhat different from the case of a legislator, where he is somewhat more like an advocate.

Mr. SIMON. Yes sir.

The CHAIRMAN. Now, for several years, I have been seeking truthful statistics with regard to trade matters. In the last several days, your staff and the committee staff have been working out the details of a method of collecting statistics on a c.i.f. basis. I have in my hand a memorandum outlining the new statistical system. With a couple of minor modifications, I believe it will provide us with the type of information that we need to know the true state of our international trade. I want to commend you, Mr. Simon, and applaud you for the leadership you have exercised in obtaining this type of information for us. It seems to me that is absolutely essential if we are going to do a credible job of recommending legislation that would adequately meet our balance of payments and balance of trade problems. I think you are to be commended for helping to obtain that information for us and I hope you will soon begin to prominently publish it so everyone concerned with our balance of trade can benefit from it. We have had great difficulty getting it.

Mr. SIMON. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Bennett?

Senator BENNETT. May I say to begin with, Mr. Simon, if you have solved that problem, you have saved yourself a good many hours of explanation before this committee in the future.

The CHAIRMAN. I would like to ask that this memorandum be printed as part of the record, please.

(The above memorandum referred to follows:)

MEMORANDUM OF UNDERSTANDING ON THE C.I.F. STATISTICAL VERIFICATION PROGRAM

*1. Introduction*

In an effort to arrive at an agreement with regard to the c.i.f. import statistics data to be collected, verified, and reported by the Bureau of Customs, and published by the Bureau of the Census, a meeting was held on January 9, 1973, with Messrs. Tom Vail and Robert Best of the staff of the Senate Committee on Finance, Representatives of the Tariff Commission, the Office of Management and Budget, the Treasury Department, the Bureau of Customs, the Department of Commerce, and the Bureau of the Census were all present.

## 2. *Understanding Reached*

It was agreed that, as soon as the necessary amendments of the Tariff Schedules of the United States Annotated (TSUSA) have become effective, the Bureau of Customs will collect and separately report, in addition to that which is presently being reported, the following:

- (a) A c.i.f. United States port of entry value based on the Customs dutiable value;
- (b) A c.i.f. United States port of entry value based on the invoice value; and
- (c) The c.i.f. charges.

Following normal Customs procedures, the c.i.f. dutiable value reported will be an adjusted one in the case of both related and non-related party transactions where the merchandise is dutiable on an ad valorem basis and Customs determines that the invoice value does not reflect the value appropriate for Customs purposes. If the merchandise is not dutiable on an ad valorem basis and if the information necessary for a similar adjustment is readily available, the c.i.f. dutiable value reported will be an adjusted one.

## 3. *Conclusion*

The program as presented above will provide U.S. Government agencies and other users of these statistics with an option to select the type of import data which they may find most useful.

Senator BENNETT. Turning to your experience in the area of public finance, could you comment on the economic consequences of any alteration in the handling of the taxation or continuing tax exemption on interest on local and State bonds? This is a problem that will come before this committee and it keeps recurring. Do you have any comment to make on it?

Mr. SIMON. I testified on that subject on several occasions, probably six or seven, during consideration of the 1969 Tax Reform Act. On those occasions, I testified as the representative of the Public Finance Division of the Investment Bankers Association. I represented the groups of bank, investors, and dealers who deal in and actively underwrite municipal securities throughout the United States. I was testifying in the defense of tax exemption.

Tax exemption can be defended from two points of view. It can be defended from the philosophical point of view, focusing on the rights of States and localities to remain autonomous and to enjoy the flexibility of deciding when and how much they wish to borrow. Exemption can also be defended from an economic point of view. The rates on tax-exempt securities historically have been in a 65 to 70 percent ratio of taxable securities. Many argue that people who own municipal securities have already paid a tax because they are accepting 30 to 35 percent less in yield than if they were buying a taxable security.

Senator BENNETT. Well, that is a good philosophical argument. Now that you are going to be on the other side of the fence, would you have any reason to change your mind?

Mr. SIMON. My personal views, Senator, have not changed.

Senator BENNETT. I have no other question except that I notice that you are national chairman of fund raising for the United States Olympic Committee. Have you withdrawn from that responsibility?

Mr. SIMON. Yes, sir; actually, I withdrew from that prior to the President's announcement.

Senator BENNETT. Too bad. Salt Lake needs the winter Olympics and we need a fund raiser.



No further questions, Mr. Chairman.

The CHAIRMAN. I would like to ask Mr. Morgan if he has a prepared statement or any other statement he would like to make. We will include his biographical sketch in the record at this point.

(The biographical sketch of Mr. Morgan follows:)

**EDWARD L. MORGAN**

Mr. Morgan was born in Lorain, Ohio, March 6, 1938. A few years later his family moved to Tucson, Arizona. He attended the University of Arizona (at Tucson) where he was a member of Phi Gamma Delta social fraternity and Phi Delta Phi legal fraternity. He received a B.A. in Political Science in 1960, was awarded the Freeman Award as the University's outstanding male graduate. He received his LLB in 1963 and was admitted to the State Bar of Arizona the same year. He was President of the Young Lawyers Section 1968-69. Mr. Morgan is a member of the American Bar Association, the Federal Bar Association, and the State Bar of Arizona. He is also a member of the District of Columbia Bar Association and has been admitted to practice before the Supreme Court of the United States.

Shortly after graduation, Mr. Morgan entered the armed services of the United States, where he served in the Adjutant General's Corps. He received an honorable discharge in 1965 with the rank of Captain.

After his discharge from service, Mr. Morgan associated with the law firm of Gust, Rosenfeld & Divilbeiss in Phoenix, Arizona, and remained with that firm until January, 1969, when he joined the President's staff at the White House as Deputy Counsel to the President. In October of that year he was elevated to the post of Deputy Assistant to the President for Domestic Affairs and also holds the post of Assistant Director of the President's Domestic Council. The President appointed Mr. Morgan to the Council of the Administrative Conference of the United States in 1969. In 1970, the President named Mr. Morgan to the post of Vice Chairman of the Conference. During 1971 to present, Mr. Morgan has also served as Executive Director of the President's Cabinet Committee on Education.

Mr. Morgan campaigned with the President as an Advance Man in 1968 and 1968. He is single, and has a daughter by a prior marriage.

**STATEMENT OF EDWARD L. MORGAN, NOMINEE TO BE ASSISTANT SECRETARY OF THE TREASURY**

Mr. MORGAN. Mr. Chairman, members of the committee, I have submitted a biographical statement and I have provided the committee with a financial statement of assets and liabilities. I have read the applicable laws and regulations and state that I have no conflict of interest.

The statement I would make would be to the effect that I am looking very much forward to assuming the position of Assistant Secretary of the Treasury for Enforcement, Tariff and Trade Affairs, and Operations. If I am confirmed by the Senate, I am looking forward very much to working with this committee and continuing the policies of the administration as they are expressed today.

(The prepared statement of Mr. Morgan follows:)

**PREPARED STATEMENT OF EDWARD L. MORGAN, ASSISTANT SECRETARY OF THE TREASURY-DESIGNATE FOR ENFORCEMENT, TARIFF AND TRADE AFFAIRS, AND OPERATIONS**

Mr. Chairman and members of this distinguished committee, I am here today as the President's nominee for the post of Assistant Secretary of the Treasury for Enforcement, Tariff and Trade Affairs, and Operations.

As my biographical statement will show, I was born in Lorain, Ohio, on March 6, 1938. A few years later my family moved to Tucson, Arizona.

I attended the University of Arizona where I received a Bachelor of Arts degree in political science in 1960 and an LL.B. in 1963. I was admitted to the State Bar of Arizona in 1963 and was president of the Young Lawyers section in 1968-1969. I am also a member of the American Bar Association, the Federal Bar Association, the State Bar of Arizona, and the District of Columbia Bar and have been admitted to practice before the Supreme Court of the United States.

Upon graduation from college, I served in the United States Army, Adjutant General's Corps, and was honorably discharged in 1965 with the rank of Captain.

After leaving the service, I joined the law firm of Gust, Rosenfeld, & Dibelbens in Phoenix, Arizona, and remained with that firm until January, 1969, when I joined the President's staff at the White House as Deputy Counsel to the President. In October of that year, I was promoted to the post of Deputy Assistant to the President for Domestic Affairs and also held the post of Assistant Director of the President's Domestic Council. The President appointed me to the Council of the Administrative Conference of the United States in 1969. In 1970, the President designated me as Vice Chairman of the Conference. During 1971, until my nomination to be Assistant Secretary of Treasury, I have also served as Executive Director of the President's Cabinet Committee on Education.

In accordance with your procedures, I have provided the Committee with a biographical statement and a financial statement of assets and liabilities.

I will be happy to answer any questions you may have.

The CHAIRMAN. Mr. Morgan, one of your responsibilities as Assistant Secretary of the Treasury will be to oversee the administration of our unfair trade statutes—principally, in your area the anti-dumping statutes, the countervailing duty laws, and section 338 of the Tariff Act. The present incumbent in the position to which you have been nominated has done an admirable job in enforcing these statutes in the best interests of the country, in my judgment. What is your philosophy regarding unfair trade laws and how do you propose to perform your duties in this area?

Mr. MORGAN. Mr. Chairman, as far as the statutes to which you refer are concerned, I naturally believe in the fair and equitable administration of any law, but particularly these laws, I think, must be vigorously enforced because they are the laws in particular that protect American business.

The CHAIRMAN. Well, we have been fortunate in recent years that the trend has been to enforce those laws. Now, if you go back several years, it has been just the other way around and it looks as though the pressure from the State Department and certain persons who seem to have more concern for the international goodwill of foreign nations than for the American concern of being discriminated against or treated unfairly have seemed to prevail. But the trend has been toward enforcing those laws and I am pleased to say that Mr. Rossides, I think, has been more firm in enforcing those unfair trade statutes that have sought to protect Americans from unfair trade practices than anyone who has been in that position while I have been here and I hope you will continue the trend, and if anything, that you will be even more firm than he has been in trying to give Americans the benefit of that law.

Mr. MORGAN. Mr. Chairman, I feel I can give you that assurance.

The CHAIRMAN. Thank you very much, gentlemen. That concludes, as far as I am concerned and as far as those of us who are present are concerned, the interrogation of the two of you about your confirmation. I hope there will not be any more questions sent in between now and the time we can act on it.

Thank you very much.

Mr. SIMON. Thank you very much, sir.

(Whereupon the hearing on the above entitled matter was concluded.)

(The following was subsequently supplied for the record:)

THE DEPUTY SECRETARY OF THE TREASURY.  
Washington, D.C., January 16, 1973.

HON. RUSSELL B. LONG,  
Chairman, Senate Committee on Finance,  
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to our conversation regarding my availability to testify, let me assure you that if I am confirmed by the Senate, I will be available to testify with respect to any matters under my jurisdiction pertinent to my responsibilities as Deputy Secretary of the Treasury.

Sincerely yours,

WILLIAM E. SIMON,  
Deputy Secretary-Designate.

OFFICE OF THE SECRETARY OF THE TREASURY.  
Washington, D.C., January 16, 1973.

HON. RUSSELL B. LONG,  
Chairman, Senate Committee on Finance,  
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to your request regarding my availability to testify, let me assure you that if I am confirmed by the Senate, I will be available to testify with respect to any matters under my jurisdiction pertinent to my responsibilities as Assistant Secretary for Enforcement, Tariff and Trade Affairs, and Operations.

Sincerely yours,

EDWARD L. MORGAN,  
Assistant Secretary-Designate for Enforcement,  
Tariff and Trade Affairs, and Operations.

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