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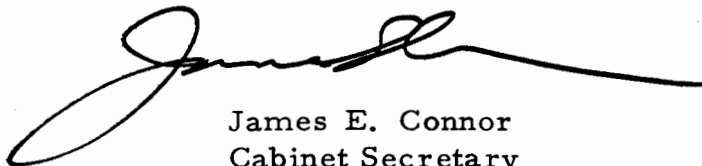
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THE WHITE HOUSE
WASHINGTON

August 11, 1975

MEMORANDUM FOR THE HONORABLE WILLIAM E. SIMON

The President has reviewed your memorandum of July 31 concerning the issuance of \$2 Federal Reserve Note and requested that you proceed with the implementation of this action.



James E. Connor
Cabinet Secretary

bcc D.R.

THE WHITE HOUSE
WASHINGTON

August 9, 1975

MR PRESIDENT:

Staffing of the attached memorandum
from Secretary Simon resulted in the following:

Buchen, ~~Seidman~~ and Friedersdorf - concur

Marsh - concur - tie in with Bicentennial

Cannon - See comments at Tab A

Do you wish to inform Secretary Simon to proceed?

Yes

JCF

No

Jim Connor



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.

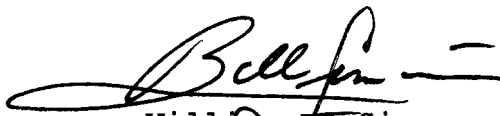
The Bureau of Engraving and Printing estimates that the replacement of one half of the \$1 bills presently in circulation could result in cost savings of approximately \$4 million per year. There would be additional savings to the Federal Reserve System from reduced handling and destruction costs.

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 E. 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 SECRETARY OF THE TREASURY
WASHINGTON, D. C. 20220

OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. TREASURY DEPARTMENT

The President

The White House

THE WHITE HOUSE

WASHINGTON

August 6, 1975

MEMORANDUM FOR: JIM CAVANAUGH *Coun*

FROM: PAUL LEACH

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

This memorandum does not convince me that there has been a substantial change in public attitudes since 1966 - when the \$2 note "was removed from circulation . . . because it did not successfully circulate with the public." I question whether a Bicentennial - linked "marketing effort" will permanently convince the public to use, \$2 bills when there is a long history of limited public use. I would feel more sanguine, if marketing people rather than bankers were making the judgment.

However, if the Treasury thinks it will work, why not let them make the decision and reap the benefits (or bear the consequences) of a successful (unsuccessful) "product" re-introduction.

8/7/75
This represents the
Domestic Council's view
[Signature]