There is no doubt in anybody's mind, although I think the members of the task force would have to speak for themselves on this, that we must continue to treat, and think of, the interest equalization tax as a temporary measure and one which we hope can be eliminated with the passage of time.

I think the fact that there is an interest equalization tax measure has served to bring home to many foreign government officials a recognition of the fact that they have their own permanent barriers to investment, which, incidentally, have existed for a long time. I believe that the work of the Organization for Economic Cooperation and Development, of which the United States is a participant, is very much concerned with the prospects of diminishing these permanent obstacles to free capital movements.

I think this objective should continue to be a very important part of the long-range policy objectives of the United States, and I hope, as you and members of the committee hope, that the time can come in which we can remove what we think of, and what should properly be considered, as temporary barriers. I hope we can soon approach an atmosphere in which we can expect a healthy two-way flow of capital to take care of the situation without harsh government control measures either on this side of the water or on the other side of the water.

Mr. HERLONG. Thank you, sir. The only point that was in my mind was as interested as we are, and we are definitely interested, in our balance-of-payments problem, we certainly must assume that the other people on the other side are just as interested in their own balance-of-payments problem.

Secretary FOWLER. That is right.

Mr. HERLONG. Are there questions?

Mr. BYRNES. Mr. Chairman.

Mr. HERLONG. Mr. Byrnes.

Mr. BYRNES. Mr. Secretary, what you have here, as I understand it, is a situation where we have entered into treaties with most of the industrial nations of the world relating to the taxation of dividends and interest primarily, haven't we?

Secretary FOWLER. That is right.

Mr. BYRNES. Let's take dividends, for instance. As I understand it, the rate is 15 percent.

Secretary FOWLER. That is correct in most of the treaty provisions.

Mr. BYRNES. This proposes a rate of 30 percent?

Secretary FOWLER. No, this does not propose any change affecting the countries with which we have treaty arrangements.

Mr. BYRNES. No, but under the law you have a flat rate unless there was a treaty existing and then it would be the lesser of the two.

Secretary FOWLER. That is right.

Mr. BYRNES. But my point is I wonder how much effect this is really going to have when one recognizes the fact that you already have a 15-percent rate, or in other words a lower rate than is in the bill, by treaty with the industrial nations. They are already paying a lower rate of tax.

Secretary FOWLER. Insofar as dividends are concerned, I think it really pretty much leaves the present law the way it is.

Mr. BYRNES. Then the bill does not relieve anyone.