

question of the continuance of the U.S. interest equalization tax as a factor affecting the sales of foreign securities to U.S. citizens, however temporary and special its basis.

So I think the question you raise is one that we certainly concerned ourselves with at that time and this statement was an attempt to flag the problem.

Mr. CURTIS. Exactly. As I pointed up, and now Treasury comes in and ignores the flag and actually comes and presents to this committee really not an accurate picture of what this situation of foreign investments in U.S. corporate stocks really is.

You give a picture here from 1950 to 1964 and then you say: "In the 6 years between 1959 and 1964, net purchases by foreigners averaged \$141 million."

I have pointed out that the point that should be stressed is that foreigners were net sellers of outstanding U.S. securities in 1964 for the first time in over 15 years and net sales of domestic stocks by foreigners in 1964 amounted to \$350 million.

I note your average figure you give for 5 years, \$141 million, conceals this unusual event in 1964 with the contrast of sizable net purchases of the previous 5 years. That gives you a lower average of \$141 million actually. Your average if you eliminate the minus \$350 million was considerably more, and the stark reality is that here the administration comes in to assist this theory of doing something to encourage removal of tax barriers to foreign investments in the United States, and at the same time if this rationale is right through the interest equalization tax is just making it impossible to encourage foreign investment.

Secretary FOWLER. Congressman Curtis, I think it is just as plain as it can be that the interest equalization tax has been presented and dealt with by the Congress as a temporary measure. The measures before you are part of a long-term program that we hope can be coupled with other activities that are outlined in the task force report which we hope can lead to a situation in which we can, consistent with our responsibilities as a key currency, recommend the discontinuance of the interest equalization tax.

We hope at that time, and in the intervening period, that other countries that have serious restraints on capital flows and on investment by their citizens outside the country can also pull down these barriers; but the important point is, Congressman Curtis, that this is a part of a long-term effort of which I think you are one of the leading advocates.

Mr. CURTIS. I surely am, yes.

Secretary FOWLER. I don't believe that it is necessary for us to review again today, although I am happy to do so, the rationale of the recommendations for a further continuance of the interest equalization tax. Let me point out that this task force report was issued in April 1964. We had had a very good first quarter that year in terms of balance of payments. We were looking forward to what seemed to be a reasonably favorable prospect, and you and I are familiar with what has happened in the last quarter, and the last 6 months, of 1964, and what was continuing in the first month of 1965. We know that we had a particular, we hope a passing, situation to deal with.