

Mr. CURTIS. I notice there is this actual discrepancy between Mr. Funston's statement and yours. You give 2 years. He has only the one, and I was curious about which year was the other year.

Secretary FOWLER. 1958 is the one, and in 1958 there was a net sales figure of \$56 million.

Mr. CURTIS. \$56 million.

Secretary FOWLER. Yes, sir; and for the first 4 months of 1965, according to our records, there is still a net sales figure, but it is running at the rate of \$33 million for the first 4 months.

Mr. CURTIS. Let me be sure at least for the record that as far as the Treasury is concerned you are not suggesting that there is any other factor other than the interest equalization tax that has brought this turnaround in net sales?

Secretary FOWLER. I certainly am suggesting that there may be many other factors that are at work.

Mr. CURTIS. That is what the record is here for. I have concluded there is a direct causal relation and I just want to be sure that there aren't some factors that the Treasury would like to suggest other than the interest equalization tax that has brought this about.

It certainly isn't our tax laws because they have been the same throughout this period. There has been no change in that.

Well, let's leave the record open so that you can supply any other factors.

(The following material was subsequently submitted by the Treasury Department:)

NET SALES OF U.S. CORPORATE STOCKS IN 1964

As in previous years, the magnitude of gross purchases and of gross sales by foreigners of American corporate stocks in 1964 was in the billions of dollars and it is difficult to isolate the myriad of reasons which produce a particular net figure. Nevertheless, two special factors undoubtedly account in some measure for the turn from net purchases by foreigners to net sales in 1964. The first of these relates to British Government holdings of securities of American corporations which it had acquired from its nationals during World War II. It is the normal practice to exclude such equity holdings from the calculation of foreign exchange reserves, and in order to make its holdings readily available to reinforce British reserves in the event such action should be found to be necessary, the Government of the United Kingdom inaugurated a program designed to increase the proportion of the British Government's holdings of dollar securities which were in a liquid form. While the British Government has not announced the amount of its sales of U.S. securities in 1964 (and 1965), Chancellor Callaghan said on June 30, 1965, "These operations had now carried to a point where the portfolio could be used to reinforce the United Kingdom reserves at short notice.

The second of these special factors was the large-scale repatriation of foreign assets by firms in Switzerland and certain other European countries where domestic credit policies in 1964 had produced a severe shortage of capital. Although the magnitude of this repatriation cannot be quantified, Swiss authorities have indicated publicly there was a relatively large volume of repatriation of foreign assets on the part of Swiss residents in 1964 induced by the tightness of the money market in Switzerland. Similar conditions existed in some other European countries.