Coming back to the increased revenue by taxing interest on deposits in U.S. banks, let us assume that the interest paid on deposits to foreigners in the year 1962 remains at the present rate, at the present level, and that the tax rates remain the same. What would be the increase in revenue in 1972?

Secretary FOWLER. About $22.5 million. That is if all the deposits remained here—I had better give you my assumptions—if all the deposits remained here and the rate of interest was 4 percent, the tax on such interest would total about $22.5 million.

Senator CURTIS. Did I understand Senator Carlson to say that the return paid on mutual funds falls under this same provision of the bill? That is not regarded as interest, is it?

Mr. SURREY. No, sir.

Senator CURTIS. That is treated as an equity investment.

Mr. SURREY. Yes.

Secretary FOWLER. Thank you.

Senator CURTIS. Thank you, Mr. Secretary.

Senator ANDERSON. Mr. Chapman, I regret you waited so long, but we had a long examination of the Secretary. We have some important bills on the floor. You go right ahead.

STATEMENT OF ALGER B. CHAPMAN, VICE PRESIDENT, NEW YORK STOCK EXCHANGE; ACCOMPANIED BY STANLEY WEST, RESEARCH DIRECTOR

Mr. CHAPMAN. Thank you, Senator Anderson. My name is Alger B. Chapman. I am a vice president of the New York Stock Exchange. With me today is Stan West, research director of the exchange.

I want to thank the committee for affording the exchange this opportunity to appear on behalf of its membership in support of the proposed Foreign Investors Tax Act of 1966. Unfortunately, when the committee's announcement of the hearings was received last week, Mr. Funston, president of the exchange, was on board ship between California and Hawaii, and his plans were such that it was impossible for him to be here today. He has asked me to make his personal apologies to the committee because if it had been possible, he would have wanted to deliver his statement in person.

As a member of the Presidential task force on promoting foreign investment and increased foreign financing, Mr. Funston feels very strongly that this bill should be enacted. But he also urges adoption of the amendments suggested in his statement, so that foreign investment will be further encouraged in the United States with a resulting beneficial effect on our balance of payments.

I have filed for the committee's information, and ask that it be included in the record, copies of Mr. Funston's statement, and accordingly I do not plan to read it to the committee. However, I would like to take just a few minutes to summarize the various points it contains.

First, the bill with the modifications we suggest can be a decisive factor in increasing the flow of foreign funds to this country. If U.S. taxation of foreign investors is eased, other inhibiting factors are alleviated, and our private selling efforts are reinforced, the savings flowing here for investments from other countries should increase substantially the benefits to our balance of payments.