the money; is not that about the size of it? The bankers know it, but they do not require the banker to tell the Government.

Mr. BARTH. Well, Mr. Chairman, your question is very difficult to answer in this particular case. Obviously, all governments have the right to ask their citizens to turn in the dollars to the central bank if they want to do that. But I do not think anything would be accomplished out of that.

The CHAIRMAN. In other words, it could be done, but you do not think it will be done by any of these governments.

Mr. BARTH. It could be done, but I do not think it will be done.

The CHAIRMAN. And, if I understand the burden of your argument, it is that the way the law applies to your foreign branches creates an impact that you doubt we considered when we passed that legislation because it tends to run these U.S. dollars that exist in these European countries and in Japan into other people's banks rather than to let them come into the branches of American banks.

Mr. BARTH. Well, far be it from me to say that the law did not get the proper consideration, but I believe conditions have changed since, and the Euro-dollar has become much more important in not only international but American banking business since 1964, and most American banks with branches abroad have drawn upon their deposits generated by the London office to feed New York, so that New York could make loans to aid the domestic economy; and, obviously, if we are not competitive in quoting interest rates in London as compared to British or French or Japanese or other banks, we will not get these dollars, not only to aid American subsidiaries abroad, but to aid ourselves.

The CHAIRMAN. I recall very well how we voted the amendment to give the President the power to extend the interest equalization tax to bank loans. It occurred the same night that the President made the decision to strike back at the North Vietnamese in the Gulf of Tonkin, which was a rather important occasion. Most of the Senators were down there at the White House talking with the President about the situation in Vietnam while we were debating the interest equalization tax problem.

I do not think their vote would have been any different, but the argument had been made for days that the interest equalization tax was a fraud, and that it was just a gesture, it would not succeed because anybody could evade the interest equalization tax by going through bank loans. After that argument had been made for awhile, some of us who had been hearing the argument began to say if that is the case why don't we just close that loophole and say that in the event that that device is used, then the President would extend the tax to cover bank loans.

But, the problem you are presenting here, Mr. Barth, was never discussed at all. I do not think it was discussed.

Mr. BARTH. If you will permit me, Mr. Chairman, I would like to give you another example.

The CHAIRMAN. Yes.

Mr. BARTH. There are many American concerns that have gone into the London Euro-dollar market to float debentures, either straight debentures or convertible debentures, and these debentures are for 10, 15, 18 years.