

PRESIDENT'S 1967 TAX PROPOSALS

THURSDAY, AUGUST 24, 1967

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, D.C.

The committee met at 10 a.m., pursuant to notice, in the committee room, Longworth House Office Building, Hon. Wilbur D. Mills (chairman of the committee) presiding.

The CHAIRMAN. The committee will please be in order.

Our first witness this morning is our distinguished colleague from Texas, chairman of the Banking and Currency Committee of the House, Mr. Patman. We appreciate having you with us and you are recognized.

STATEMENT OF HON. WRIGHT PATMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. PATMAN. Thank you, Mr. Chairman. I appreciate the opportunity of appearing before your committee. I shall be as brief as possible.

However, I will do my best.

The proposed 10-percent surcharge which is under consideration will be an empty gesture unless something concrete is done about interest rates. In fact, the President's tax increase would not have been necessary had the Federal Reserve Board performed its duties in the public interest. Unless the Federal Reserve is forced to cooperate with the Federal Government we will almost certainly face the necessity of an even higher tax increase next year.

The last interest rate increase caused by the Federal Reserve, which is still having its effects, whether intended or not, will have a devastating effect on certain financial institutions that are vital to the welfare of this country.

I refer, among others, to the savings and loans, the mutual savings banks, and the credit unions. The increase of 37½ percent imposed by the Federal Reserve Board on December 6, 1965 was a devastating blow to these institutions, and unless direct action by the Federal Reserve to lower interest rates begins immediately, these institutions will be forced to suffer more.

In addition to these three institutions being hurt and injured—and some of them destroyed—by the increases, it will cause further disruption the homebuilding industry and make the building of homes more difficult because interest rates will force the charges to be so high that it will discourage homebuilding, as it has in the past.