In addition to that it will force Government rates up for all levels of government.

Now, all this presuming that the Federal Reserve will continue to ignore its own duties and keep on imposing higher and higher interest rates. The Federal Reserve has a responsibility, but they have not performed their duties in accordance with their responsibilities.

I think, however, the Congress has the greatest responsibility. Congress has ignored this issue too long, so that now we are right on the brink of devastation for much of our economy because of these high interest rates.

If the Federal Reserve cannot be brought back into line as it should to perform for the public interest instead of the private financial interests, I think the Congress should consider liquidating the Federal Reserve.

In the original Federal Reserve Act the process of liquidation is set out as to what will happen if the banks are liquidated, and the law makes it very plain that our first obligation will be to pay the banks back involuntary investment—it is not stock, although they call it stock—to pay back to the banks that involuntary investment which is about $570 million now, and after we do that and meet the other obligations the remainder belongs to the Government. If we are compelled to liquidate the Federal Reserve System the Government would profit by at least $65 billion—$65 billion—which could be paid on the national debt and would put us, of course, in a much better position than we are in right now.

Now, this proposed tax surcharge could really be called the Federal Reserve tax of 1967. A substantial part of the money raised through the surcharge must go to pay added interest cost resulting from the December 6, 1965, action of the Federal Reserve.

Let me quote from the testimony of Charles L. Schultze, the Director of the Bureau of the Budget, before your committee on January 30, 1967:

> We estimate that the increasing shortage of credit funds and rising interest rates experienced last year are adding approximately $3 billion to the Federal budget for fiscal year 1967 as a whole.

This $3 billion was estimated January 30 and since that time interest costs have continued to climb, so we know that Mr. Schultze's estimate was indeed a very conservative one. The $3 billion mentioned by Mr. Schultze represents only the increase from the December 1965, Federal Reserve action. It does not take into account the tremendous increase in interest rates since President Truman left office in 1952.

May I invite your attention, Mr. Chairman, to the fact that I have compiled some figures, obtained from the Federal Reserve, and the Treasury, and the Comptroller of the Currency, and the FDIC, so there is no doubt about the authenticity of the information that I furnish.

These figures show that for 14 years, from 1939 through 1952, interest rates were very low. You know, back in 1940 I was before this committee and I advocated, along with former Senator Robert L. Owen, to pay for the cost of the war, of the part that we could not raise money for otherwise after we had sold all the bonds we could sell, and we had taxed all we could tax, and then the money had to be manufactured, that the Federal Reserve manufacture the money, as it has a right to do, make the loans to the Government without interest,