

lation would deny an income tax exemption to the interest on industrial development bonds.

I am aware that there have been abuses arising from the indiscriminate use of industrial development bonds. I support appropriate action to prevent these abuses.

I am strongly opposed, however, to any blanket denial of this exemption that could be applied indiscriminately to obligations that deeply affect the public interest.

To deny this exemption would seriously curtail the potential for Federal-State-local cooperation and would go far toward denying to the States and their localities the flexibility needed to meet the problems which confront them today.

For example, should such action be taken, and be upheld by the courts, it is quite likely that a major program established this year in New York for dealing with the agonizing problems of the core city areas could be jeopardized.

I refer to the creation of the Urban Development Corporation and the Urban Development and Research Corporation, which have both just been passed by our legislature. Both contemplate using obligations which would assist the private sector of the economy to accomplish a vital public purpose—locating and expanding in core areas.

I would like to make again, if I might, a parenthetical statement. We are facing problems of a magnitude today, particularly in our cities where some 75 percent of the population now reside in the metropolitan areas, which are beyond the financial capacity of government, whether it is Federal, State government, local, or all put together, and therefore we have got to find means of attracting private capital back into these areas. The use of tax-exempt bonds can be, and in my opinion is one of the major ways of cooperating with private enterprise to get them to undertake the necessary actions to solve some of the social problems of our communities.

These proposals at the Federal level are also a threat to the continued tax exemption of obligations issued by States and their political subdivisions to provide other facilities which deeply affect the public interest.

I realize that neither of these problems is the direct concern of this Committee, but the proposed bill before you does raise the question of denying an interest exemption on bonds of the States or their political subdivisions—a question which has ramifications far beyond those of financing sewage treatment facilities.

The proposed denial of a tax exemption in H.R. 15907 would be for an obligation which has a clear and undeniable public purpose—the construction of sewage treatment facilities to eliminate water pollution. No less clear and undeniable, however, is our pressing and overdue obligation to eradicate—once and for all—the problems of city core areas.

At a time when the Nation requires the maximum possible cooperation among governments at all levels, and the maximum possible contribution by the private sector of the economy, curtailing the fiscal effectiveness of States and municipalities is an unwise course.

The purpose of the Federal water pollution control program is to eliminate pollution. I agree that new steps may be needed at this time