Judging from taxpayers' letters to the Treasury, I would say that many people are upset and impatient over the need for correcting these and other situations which demand our attention. In this connection, I should point out that the 10 percent surcharge has made many taxpayers more aware of the inequities in our present tax system and more demanding that reforms be adopted.

I believe public confidence in our income tax system is threatened and that tax reform should be a top priority subject for the new Administration and the 91st Congress.

As you know, we at Treasury have been working on tax reform proposals for more than two years, and they are now ready. They will be turned over to Secretary-Designate Kennedy and, upon request, to the Congress.

I feel that the enactment of major reforms to substantially improve the fairness, simplicity, and neutrality of our income taxes are essential to continue and strengthen public confidence in our tax system.

THE NEED FOR RESTORING THE UNITED STATES TRADE POSITION

The international trade position of the United States is rapidly deteriorating. It is essential therefore that we make a forceful policy response to restore our trade account to a position of strength. Short of this, we will find a continuing upsurge apparent in the country.

The answer to our trade problem does not lie in an overhauling of our tax system through the introduction of a value-added tax either in addition to or in lieu of our present taxes. The adverse domestic effects of such a move would far outweigh any small trade advantage which we might gain.

What we might well consider instead is our own system of border adjustments, encompassing both a tax on imports and a payment to exporters. The level of these adjustments would be unrelated to our domestic tax system. The rates would be set at whatever level is necessary to achieve our objective—a healthy trade surplus. This system should be established under the strict control of the General Agreement on Tariffs and Trade or other appropriate international body.

THE NEED FOR ACTION ON THE SDR FACILITY

I would urge the member nations of the International Monetary Fund that have not yet completed action on the Special Drawing Rights Facility to do so promptly. Their ratification of the Proposed Amendment to the IMF Articles of Agreement establishing the SDR Facility will bring closer the day when the world will be assured of an adequate growth in monetary reserves.

The SDR Facility will be created when 67 member nations having 80 percent of the weighted votes in the Fund have ratified the Amendment, and when members having at least 75 percent of the quotas in the Fund have deposited with it an instrument of participation.

The United States completed action on the SDR Facility last July 15. However, as of January 10 of this year, only 29 members of the Fund having 47½ percent of the total votes had ratified the Proposed Amendment.

After years of intensive negotiations, nations have neared establishment of a method for creating the monetary reserves needed by a rapidly growing world economy. We are near the goal of the most important reform in the international monetary system since the Bretton Woods Agreement of 1944. I earnestly hope that other nations and their governments will make it possible for the world to reach that goal within a period of weeks or months.