

And of course, it is reported that you held about 8,000 shares of bank stock in a big bank and other banking interests. Naturally, we would like to know how you disposed of that stock in order to become Secretary of the Treasury.

Secretary KENNEDY. Mr. Chairman, my estate was placed in trust with an independent trustee.

Chairman PATMAN. Who is the trustee?

Secretary KENNEDY. That is the Old Colony Trust Co. of Boston.

Chairman PATMAN. Is that a revokable trust?

Secretary KENNEDY. Nonrevokable during the period that I am in the service of my country.

Chairman PATMAN. Nonrevokable as long as you are Secretary of the Treasury?

Secretary KENNEDY. Precisely.

Chairman PATMAN. But you still own the bank stock?

Secretary KENNEDY. There will be divestiture of the bank stock in a matter of time, not complete, but to get a balance, a program of balance within the portfolio. I will not know what is in the trust at any time.

Chairman PATMAN. Of course a private trust, Mr. Kennedy, is not like a supervised trust. And this trust, being a private trust, would not have any Government supervision.

Secretary KENNEDY. We either believe in trusts, Mr. Chairman, or we don't believe in them. This has been gone over by the committee of the Senate that approved my confirmation. I agree with you, there is a problem. A way must be found where a man can serve, if he owns anything—unless you want a Secretary of the Treasury that owns nothing. And I have the feeling that this does take me out of any discretion with respect to my estate.

Chairman PATMAN. In other words, you are trying to arrange it so that you can still exercise independent judgment.

Secretary KENNEDY. Precisely. And I have indicated within the Treasury in a directive to all departments that on any matter where there would be any possibility of conflict, that I would not be involved, other than as Secretary.

Chairman PATMAN. I can give you a good illustration of what I mean. In this morning's paper, the Evans-Novak column has a heading, "Banks' Move To Open Old Loophole Will Provide Test of Tax Reform." That would be a good challenge to your independent judgment, being interested in banking. And you would have to act in favor of the bank if some wrong has been done to the banks. And of course, it is your duty to prevent wrong as well as anything else.

This discloses a question that is brought up before our committee oftentimes about the 24 provision for losses of banks. You know, that was agreed to. And the result was that the banks cut down on their loans; they didn't make venture loans so much, or risk loans, because they had that 24 that was guaranteed to them as a deduction. That was an incentive for them to be hard on their loans and not have any losses. Therefore, the banks have been making several hundred million dollars on this reserve.

I will ask, if there is no objection, that this article be placed in the record at this point.

(The article referred to follows:)