

housing goals of the administration for low income and moderate housing are unrealistic, can't be achieved. They only provide for 233,000 units this year. And it seems to me to be a modest goal, modest in terms of the resources allocated, tough in view of the financial situation. But this is a problem that I hope you will help us solve.

Secretary KENNEDY. It is a very serious problem. And I am very much interested in the development of housing and in urban problems. I agree 100 percent that item by item and program by program we should have a careful look and see how much saving we can get out of the expenditure side of the budget. I believe that there would be areas for reduction—how much I am not prepared to say, because that is a review by each of the Departments, and by the Budget Director—but I am pushing to the extent of the power of my office to reduce as much as possible.

Senator PROXMIRE. One of the additional reasons why I am so concerned with this is the failure of the surtax to do what it was constructed to do. The economists, those who were frank about it, admit that they were wrong. They uniformly told this committee that it would have a rather direct and fairly prompt effect, not immediate, but fairly prompt effect on the economy. Since July 1, interest rates are up 10 to 15 percent, as you know, right along the line, all the Federal interest rates, municipals, corporates, and so forth. Consumer prices have gone up more rapidly since the surtax was passed. The balance of trade has deteriorated badly since the surtax was passed. We had a balance of trade in the first half of 1968 which was favorable. The balance of trade since then on the merchandise account has been unfavorable, distinctly unfavorable.

So that I think we can't rely just on higher taxes, or continuing high taxes to help us in this area. I don't see any alternative except to take a much harder, tougher look at keeping spending down more than we have.

Secretary KENNEDY. I agree that we have really got to push on the expenditure side, Senator.

Senator PROXMIRE. Now, on November 22, 1968, in an address you delivered at the Annual Civil Rights Conference at the University of Utah you said:

"There is no doubt that American industry, including the banks, has spent far too little of its energies and financial resources to relieve the strains of the inner city. That tide is now turning. We have a great deal to learn, including how best to communicate with the people who need our encouragement, but it will be done."

Specifically, how can we turn the tide, how can we get the banks more directly involved in this?

Secretary KENNEDY. I think in the last year or so the banks have been spending a lot of effort, time, and resources in this field. I spent at least a third of my time in the last year in this field.

Senator PROXMIRE. I know it has done a great job.

Secretary KENNEDY. Now, in the banking system they organized a national committee. Mr. Graham, of the Continental Illinois Bank, was chairman of that group. The committee discussed programs and policies that would be helpful in joining the banking system and the resources they have and the abilities they have to work within the community to develop programs that would help solve the inner city problems.