

**NOMINATIONS OF CHARLES MONTGOMERY WALKER  
AND EDWIN H. YEO III**

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**HEARING**  
BEFORE THE  
**COMMITTEE ON FINANCE**  
**UNITED STATES SENATE**  
NINETY-FOURTH CONGRESS  
FIRST SESSION  
ON  
THE NOMINATIONS OF  
CHARLES MONTGOMERY WALKER, TO BE ASSISTANT SEC-  
RETARY OF THE TREASURY FOR TAX POLICY  
AND  
EDWIN H. YEO III, TO BE UNDER SECRETARY OF THE  
TREASURY FOR MONETARY AFFAIRS

—  
JULY 29, 1975



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**NOMINATIONS OF CHARLES MONTGOMERY WALKER  
TO BE ASSISTANT SECRETARY OF THE TREASURY  
FOR TAX POLICY AND EDWIN H. YEO III TO BE  
UNDER SECRETARY OF THE TREASURY FOR MONE-  
TARY AFFAIRS**

**TUESDAY, JULY 29, 1975**

**U.S. SENATE,  
COMMITTEE ON FINANCE,  
Washington, D.C.**

The committee met, pursuant to notice, at 9:30 a.m., in room 2221, Dirksen Senate Office Building, Senator Russell B. Long (chairman of the committee) presiding.

Present: Senators Long, Talmadge, Gravel, Ribicoff, Nelson, Mondale, Hathaway, Haskell, Curtis, Dole, and Brock.

The CHAIRMAN. This meeting will come to order.

We will have a brief hearing on two nominees for very important positions in the Treasury.

We have before us the nomination of Mr. Charles Montgomery Walker of Los Angeles, Calif., to be Assistant Secretary for Tax Policy, and we have a résumé of his background, which I will ask be submitted in the record at this point.

[The biographical sketch of Mr. Walker follows:]

**BIOGRAPHICAL SKETCH OF CHARLES MONTGOMERY WALKER**

Address: 9255 Doheny Road, Apartment 802, Los Angeles, Calif. 90069. Phone 213/274-2249.

Date of birth: September 30, 1915.

Marital status: Married to Gertrude Elizabeth Acton on April 30, 1943.

Children: None.

Physical data: Height, 6 feet, 3 inches; weight, 200 pounds; health, excellent.

Background: Born in St. Louis, Mo.; parents: Charles Joseph and Gertrude Zoll Walker.

Education: University of Missouri: AB, 1937, and LLB, 1939. Associate editor, Missouri Law Review, Order of the Coif.

Practice: Admitted to the Bar: Missouri, 1939; California, 1941. Admitted to practice, U.S. Supreme Court, U.S. District Court for the Southern District of California, Tax Court of the United States.

Associated in the law office of Joseph D. Brady in Los Angeles in 1939. Military service 1942-1946. Rejoined Brady in 1946 who, by then, had formed a partnership with Walter L. Nossaman under the firm name of Brady & Nossaman. The firm name was changed in 1953 to Brady, Nossaman & Paulston in which I became a partner. The firm name was changed in 1955 to Brady, Nossaman & Walker. In 1962, withdrew from Brady, Nossaman & Walker to become a partner in Paul Hastings, Janofsky & Walker, also in Los Angeles. Currently in practice with that firm.

Practice has always specialized in tax matters.

Military Service: Enlisted man, Army Air Force, July 14, 1942, to July 26, 1944; Appointed Warrant Officer July 27, 1944. Separated March 3, 1945, to

receive direct commission, 2d Lieutenant Adjutant General Department. Honorable discharge February 8, 1946. Decoration: Bronze Star. Overseas service in the European Theatre of Operations (England, France, Germany) 1943-46.

Professional affiliations: American Bar Association, Section of Taxation: Chairman Elect 1974-75; Vice chairman, Committee Operations 1973-74; Member of Council 1969-72; Chairman, Committee on Legislative recommendations 1968; Member of committees on Legislative Recommendations, Foreign Tax Problems, Collections and Limitations 1959-68; Member, National Conference of Lawyers and Certified Public Accountants 1971 to date.

State Bar of California: Chairman, Committee on Taxation, 1957-58.

Los Angeles County Bar Association: Member, Board of Trustees, 1970-72. Chairman, State Bar Conference Committee, 1969; Chairman, Committee on Taxation, 1960.

University of Southern California: Institute on Federal Taxation; Member, Planning Committee, 1961-72; Lecturer and author, various dates.

Western Pension Conference, Program Chairman, 1965-66, Los Angeles Chapter.

Member, American Judicature Society. Fellow, American Bar Foundation. Member, Board of Councilors, University of Southern California Law Center. Member, Executive Committee, Lawyers Advisory Council, Constitutional Rights Foundation.

Member, International Academy Estate and Trust Law. Association of Tax Counsel, Los Angeles Title Insurance & Trust Forum, speaker on various dates. Member, Chancery Club, Los Angeles. Member, Breakfast Club, Los Angeles.

Social clubs: Member, Los Angeles Country Club; Member, California Club, Los Angeles; Member, Sigma Chi Social Fraternity; Member, Phi Delta Phi, Legal Fraternity; Member, Elks.

The CHAIRMAN. I see that you were associate editor of the Missouri Law Review, and you were in the Order of the Coif, which I think is a high recommendation. You have been practicing law and specializing in tax matters. You have a fine record, having served in World War II, and have been in many distinguished capacities in the legal profession.

Now, I would like to ask you, Mr. Walker, do you envision any changes in the relationship between the Office of the Assistant Secretary for Tax Policy and the Internal Revenue Service?

**STATEMENT OF CHARLES MONTGOMERY WALKER, ATTORNEY,  
LOS ANGELES, CALIF.**

Mr. WALKER. I am not entirely sure what their present relationship is, Senator. I visualize my relationship with the Internal Revenue Service as being a very cordial one. I have known the Commissioner personally for some time, and he and I have already had chats about the ongoing activity.

The CHAIRMAN. Well, we have tried to assure the independence of the Internal Revenue Service, as we think it ought to do its job of collecting taxes, and I simply wondered how you look upon this relationship. Do you think it ought to be changed in any respect?

Mr. WALKER. You mean the Service as an independent agency?

The CHAIRMAN. Yes.

Mr. WALKER. I do not think that it need be an independent agency to maintain its integrity and its independence from any undue pressures. I had not considered the matter in any depth.

The CHAIRMAN. Well, there is one thing that has concerned us, Mr. Walker. I imagine you are probably aware, that historically, the Service has been abused, or to use a more accurate term, misused. Those who have not been sympathetic to the administration in power, be that a Democratic administration or a Republican administration, had cause to complain.

Now, we have had a lot said about that during the Nixon administration, about the enemies lists and the friends list. My reaction is all of that was mild compared with some of the things done under earlier administrations, which for the most part, were Democratic administrations, Franklin D. Roosevelt and others.

But while I do not care to diminish those men's stature in history, I think the record will show that the Internal Revenue Service was used time and again for political purposes, to single out people who were not in sympathy with what the administration was trying to do, and to put them through the wringer, because someone at the top in Washington, usually in the White House, did not agree with their politics, and the other way around.

We want that to be an independent agency, independent of politics and political considerations. And I would simply like to have your views on that.

Mr. WALKER. I certainly agree it should be independent of political pressures.

The CHAIRMAN. Do you have any objection to the use of the General Accounting Office for the purpose of reviewing the operation of the Internal Revenue Service?

Mr. WALKER. I think there is something that needs to be considered there, Senator. I, again, have not analyzed this in my own thought in too much depth. But I believe one element that needs to be borne in mind is that, with the Internal Revenue Service role, as it is, in auditing tax returns of individuals and corporations, there is a requirement and need for confidentiality of what is reported, and to the extent the General Accounting Office might get into that, I think there would need to be some safeguards. Except for that, I can see no difficulty.

The CHAIRMAN. Do you think it is appropriate for the Assistant Secretary to become involved in matters involving the administration of the Internal Revenue Service?

Mr. WALKER. I do not think that is the Assistant Secretary's role, Senator.

The CHAIRMAN. Can we count on you to keep the committee and its staff periodically advised of the legislative program that your office will be working on and attempting to formulate?

Mr. WALKER. Indeed, sir; I would attempt to work very closely with the committee staff.

The CHAIRMAN. Thank you very much.

Senator Talmadge was the first in the room. I violated the early bird rule by asking the first question.

Senator TALMADGE. I have no questions, Mr. Chairman.

I had a visit with Mr. Walker in my office. He was kind enough to drop by, and I was impressed with his qualifications.

The CHAIRMAN. Senator Nelson, do you have any questions?

Senator NELSON. Yes.

Mr. Walker, as you are well aware, over the past number of years, and increasingly in recent years, there has been criticism of the inequities of the tax structure. It has become a matter of public dialog and discussion in the political arena increasingly in the past few years. Do you, in a general way—would you describe your views on the tax structure, whether you believe that there are substantial inequities that

ought to be changed, or if you do not. In a general way, what are your views?

Mr. WALKER. I think, Senator, there is a need for proper balance of the tax burden in a variety of ways. I think if you are referring to the high income tax payers who do not seem to be paying their share of tax, I think that is something that needs remedying.

I think we need also to be very careful that we do not so complicate the Internal Revenue Code that we impair the integrity of the system, the self-assessment system. As to specific ideas on balancing equities, I did not have an opportunity yet to develop any real thoughts on that. I am generally aware of the administration's proposal of a minimum income tax, for example, and limitation on artificial accounting losses. And I certainly subscribe to those concepts.

Senator NELSON. Thank you.

The CHAIRMAN. Senator Mondale.

Senator MONDALE. After that answer, I have no questions.

The CHAIRMAN. Senator Haskell.

Senator HASKELL. Thank you, Mr. Chairman.

Mr. Walker, as I understand it from visiting with you your law practice has basically been in the tax field over how many years?

Mr. WALKER. Ever since I left law school, Senator, and that was a long time ago.

Senator HASKELL. What do you think of such items as percentage depletion, losses in farming, that sort of thing? Do you think they should remain in the tax code?

Mr. WALKER. As to percentage depletion, I think that would require an analysis of how it came to be in the first place, and if it still is an appropriate thing to retain. There certainly needs to be an awareness of the fact that production is an asset that is depleted; whether this needs to be, in effect, subsidized to cover the extraordinary costs of developing it, that is a policy question that perhaps is being resolved in other ways now than through the use of a percentage depletion.

Senator HASKELL. What do you think of the DISC?

Mr. WALKER. I think DISC was a sound concept.

Senator HASKELL. Do you think it is a sound concept now?

Mr. WALKER. Yes.

Senator HASKELL. How about ADR?

Mr. WALKER. In your role as Assistant Secretary, do you believe that you should review revenue rulings, prior to their issuance?

Mr. WALKER. I believe there is a need to do so, from the standpoint of having the Treasury Department speak with a single voice, bearing in mind that revenue rulings initially are issued by the Internal Revenue Service, a part of the Treasury Department. It depends on whether a matter of policy really is being expressed or if this is merely an interpretation of administration an unambiguous statute.

Senator HASKELL. Are not revenue rulings an interpretation of the Internal Revenue Code? How does policy get involved?

Mr. WALKER. I think it depends. It is a very fuzzy line, actually, Senator, as to where you are filling a void that might not have been covered by the statute itself or by the regulations, or whether it truly is merely an interpretation of a procedural matter.

Senator HASKELL. You are not suggesting that revenue rulings legislate, are you?

Mr. WALKER. Well, I think sometimes there has been a concern that they may be going too far.

Senator HASKELL. When we are considering, Congress generally, considering changes in law, affecting taxes, do you think it is appropriate for the Internal Revenue Service to comment directly?

Mr. WALKER. I think there is a very definite need for a comment, particularly as it will relate to the administration of a law that is being contemplated.

Senator HASKELL. By the Internal Revenue Service itself?

Mr. WALKER. Yes.

Senator HASKELL. How much do you think that you, as Assistant Secretary, should consult with the IRS on administrative feasibility of legislative proposals?

Mr. WALKER. I think this is a need for continuing dialog in this respect. I think it would depend on the particular issue before the House.

Senator HASKELL. The chairman, as I came in, I think I understood him to be asking you questions on the influence, political influence attempted to be brought against the Internal Revenue Service in the recent past. Have you ever considered the proposition of the Internal Revenue Service being separate from Treasury?

Mr. WALKER. I have not really considered it in depth. I have heard the suggestion made. I think some bills have been introduced to that effect, and just observing their having been introduced, I was not sympathetic to the idea.

Senator HASKELL. In other words, you believe it should stay where it is?

Mr. WALKER. Yes, sir; I do.

Senator HASKELL. Thank you. I have no further questions.

The CHAIRMAN. Senator Brock,

Senator BROCK. Mr. Walker, the Congress has just created a Federal Commission on Paperwork. The head of the IRS, Don Alexander, is on it; Jim Lynn; a number of people out of the private sector; and some Members of the Senate and the House. It seems as though the largest single burden placed particularly on small business in this country and on individuals for paperwork comes out of Treasury, directly through the IRS channel, and given your background in this particular area, I am not so sure this is a question or just a plea. I hope that you will take a look at the burden we are imposing on those groups in this country and see if you cannot ease that. I believe you can.

I just cannot believe that the tax code cannot be simplified. And even if we do not do a very good job there, I think we can simplify our regulations, so as to ease the burden.

Senator Nelson is chairman of the Small Business Committee, and we have talked a lot about the particular burdens imposed there, but I think it is inexcusable. I think it is way beyond the requirements of the Government, and I would hope that you could take a look at that area.

Mr. WALKER. Thank you for your plea, Senator. I would like to keep those words, so I can speak them myself. I endorse everything you have said.

Senator BROCK. Well, good luck. Thank you.



The CHAIRMAN. Senator Curtis.

Senator CURTIS. Mr. Walker, do you believe that the Treasury Department and the Internal Revenue Service should write the law?

Mr. WALKER. Indeed not.

Senator CURTIS. If you find something in the law that you think should be corrected, and I am referring to substantive law, would it be your position to present that matter to the Congress, or legislate through regulation?

Mr. WALKER. I abhor legislation through regulation, Senator. I think this should come right back to Congress.

Senator CURTIS. Now, in reference to regulations, would you be willing to take a look at your whole procedure down there to see how the writing of regulations can be expedited?

Mr. WALKER. Indeed so.

Senator CURTIS. I believe you will find that in some areas the regulations are several years behind.

Senator TALMADGE. Would the Senator yield at that point? They have not finished writing the regulations of the Tax Revision Act of 1969 yet.

Senator CURTIS. Of course, that act should have been repealed, in the public interest, anyway. But I appreciate your observation. That is all I have, Mr. Chairman.

The CHAIRMAN. Senator Dole.

Senator DOLE. I have no questions.

The CHAIRMAN. Senator Hathaway.

Senator HATHAWAY. No questions.

The CHAIRMAN. Thank you very much, Mr. Walker. We have no further questions.

Mr. WALKER. Thank you, Mr. Chairman.

The CHAIRMAN. Next we will call Mr. Edwin H. Yeo III, nominated for the position of Under Secretary of Treasury for Monetary Affairs.

I have a résumé, Mr. Yeo, of your background. I notice that you have a B.S. degree from the University of Maryland and that you have had some experience in bank investments and in economics.

[The biographical sketch of Mr. Yeo follows:]

#### BIOGRAPHICAL SKETCH OF EDWIN H. YEO III

Edwin H. Yeo, III was born in Youngstown, Ohio, May 23, 1934. He received his B.S. Degree from the University of Maryland.

Mr. Yeo joined the Bank in 1959 and, upon completing its management training program, entered the Bank Investments and Economics Division. He was elected assistant secretary, then assistant cashier in 1961. In 1962 he became vice president in charge of the Bank Investments and Economics Division; in 1968 he was elected senior vice president; and in 1972, vice chairman of the Bank.

Mr. Yeo is Director of: Pittsburgh National Corporation, Pittsburgh National Bank and Disston, Inc. In addition, he is a member of the Reserve City Bankers, International Monetary Conference Program Committee and the Government and Federal Agencies Securities Committee. Presently, he is Ohio Valley District Chairman—Allegheny Trails Council, BSA; Division Head—United Way of Allegheny County; and, a member of the Greater Pittsburgh Chamber of Commerce Labor-Management Advisory Council. He served as U.S. Olympic Committee Fund Chairman in the Pittsburgh area in 1970-1972.

He is a member of the Duquesne Club, Edgeworth Club, Sewickley Heights Golf Club, Pennsylvania Conference for Economists, American Economic Association, Economic Club of Pittsburgh and the Bond Club of Pittsburgh.

The Yeo family resides in Sewickley, Pennsylvania.

The CHAIRMAN. Have you any legal education?

**STATEMENT OF EDWIN H. YEO III, VICE CHAIRMAN, PITTSBURGH NATIONAL CORP.**

Mr. YEO. No, sir, Mr. Chairman, aside from in the course of my banking business working with some very fine lawyers, but no formal education.

The CHAIRMAN. Will you tell us a little about your experience which relates to this job that you have been nominated for, which is Under Secretary of Treasury for Monetary Affairs?

Mr. YEO. My background overlaps in at least three respects. I started the economics department at our bank and participated actively in its work and have written and lectured and participated in a variety of seminars and programs on economic matters, both domestic economic matters and offshore or international economic matters.

I also was responsible for the asset and liability management of the bank and its investment banking operation which involved it in dealing in various types of securities and specifically involved it very actively in the market for the U.S. Government securities.

The third area is that the bank's foreign exchange department reported to me and that was for the last 5 years, and I was involved heavily in the administration of that part of our operation.

So that I believe that that is the way that my background overlaps with the job of Under Secretary for Monetary Affairs.

The CHAIRMAN. Senator Talmadge.

Senator TALMADGE. I have no questions, Mr. Chairman.

The CHAIRMAN. I am going still by the early bird arrival list we have. Senator Nelson.

Senator NELSON. I have no questions.

The CHAIRMAN. Senator Haskell.

Senator HASKELL. I have no questions.

The CHAIRMAN. Mr. Mondale.

Senator MONDALE. Do you believe in flexible exchange rate?

Mr. YEO. I believe that flexible exchange or floating exchange rates is the word we have been operating with have served us well and will continue to serve us well.

Senator MONDALE. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Brock.

Senator BROCK. I have no questions, Mr. Chairman.

The CHAIRMAN. Senator Curtis. Senator Dole.

Senator DOLE. I have no questions.

The CHAIRMAN. Senator Hathaway.

Senator HATHAWAY. I have no questions.

The CHAIRMAN. I do want to ask about one or two other matters here. It is my understanding that your predecessor retired from this position because he felt that he was being forced to make a very substantial financial sacrifice. It is not at all unusual for a position of this sort. I am not happy about it but it happens frequently to be a fact of life.

Does the salary of this job require you to make a substantial financial sacrifice?

Mr. YEO. Yes, sir, it did.

The CHAIRMAN. If you have no objection I would be curious to know just what that sacrifice might be.

Mr. YEO. It involves a reduction of about, my current income will be about 50 percent—if I understand the thrust of your question correctly—my current income as Under Secretary of the Treasury will be a little less than 50 percent of what it had been.

The CHAIRMAN. You would be working for about half of what you were being paid previously.

Mr. YEO. Yes, sir.

The CHAIRMAN. I do not like that, and frankly, if I had my way we would raise the salaries on the executive level and also the salaries of our judges. We are losing some very fine judges in this country because we pay them so far below what they are entitled to make, and I hate to say it but one of the reasons why we do not pay our own help adequately and we do not pay the judges adequately and we do not pay adequately to bring that talent here to Washington is that Congressmen do not like to vote to pay others more than they are making, and politically they are afraid to raise their own salaries.

So I think that the Government suffers. As President Johnson said, in this Government we reward mediocrity but we deny ourselves a lot of talent that we ought to have available.

Can you tell me what is the current price of world gold?

Mr. YEO. The current price of world gold is approximately \$164, in that area.

The CHAIRMAN. Are the central banks able to sell off their gold reserves at world prices?

Mr. YEO. If they were, sir?

The CHAIRMAN. I asked you are the central banks able to sell off their gold reserves at world prices?

Mr. YEO. No, sir.

The CHAIRMAN. Why is that?

Mr. YEO. One of the subjects in continuing negotiations involves the handling of central bank reserves held in the form of gold and there has not been any conclusive agreement on that subject, and part of those negotiations involves the ability to sell off at current world prices.

That is one of the points of negotiation.

The CHAIRMAN. Any further questions, gentlemen?

Thank you very much.

Mr. YEO. Thank you very much.

[Whereupon, at 10 o'clock a.m., the committee adjourned, to reconvene subject to the call of the Chair.]

