too high a price. But, by the same logic, the surplus countries should lower their interest rates.

Senator PROXMIRE. Mr. Klopstock?

Mr. KLOPSTOCK. I don't think I have any comment on this subject matter.

Senator PROXMIRE. Mr. Pizer?

Mr. PIZER. I think I would be skeptical of any generalizations here. In the first place, I think the more familiar you become with the figures, the less likely you are to draw conclusions from them very quickly. It is true that we have not had a very sizable outflow of banking funds this year. We still don't know what nonbanking funds are doing. I am interested to hear from Mr. Klopstock that there has been some outflow of that kind since the Canadian situation reversed itself.

I am not sure how good a guide to the potentialities in the system is given to us by the events we have been able to measure for the last couple of years. We simply don't know what corporations would do, corporations which are tremendously liquid, if there were a sharp divergence once again between interest rate structures.

It is very difficult to measure differences in the interest rates partly because of needing to take account of the foreign exchange risk, but also because there is such a variety of instruments available, both in the United States and in foreign countries, that one scarcely knows which two kinds of instruments ought to be compared to see what the differential is. So I would really be afraid to generalize on that situation.

Representative GRIFFITHS. I was especially pleased to hear Dr. Bell point out that it was not absolutely necessary that you have an interest rate rise accompany a tax cut. I have heard the reverse for 3 weeks.

Representative WIDNALL. I would like to throw this question out for the panel. We have recently had devaluation of the Canadian money. How did their situation at the time they devalued differ from ours?

Mr. BELL. I am not familiar enough with that. I just have not studied Canada in any way. I believe they would know more about it.

Representative WIDNALL. I had understood that Canada was quite prosperous and everybody was pointing to the great gains they were making in production. There was a lot of investment going into the United States from Canada.

Mr. BELL. That slumped off.

Representative WIDNALL. I know that. I want to know how they differed in their situation from ours, because they prided themselves on getting a premium on their dollar. For example, it was $1.05 to the dollar at one time.

Mr. BELL. It would seem roughly to me that one thing one can say is that it was not because of short-term capital outflow. Isn't that true? There was no substantial short-term capital outflow prior to that.

Mr. PIZER. We think there was a substantial outflow of capital funds out of Canada, perhaps some American. We think that may have contributed to the strength of our own balance of payments in the first half of the year.