

Mr. BLOUGH. Yes; by reducing what we do through the international agencies. I think the amount of foreign aid ought to be doubled from the United States, and a substantial part of that increase ought to go through international organizations. And I think in view of the fact that it goes to the less developed countries—that while we do lose some of it that is not spent on our goods—in many countries the major part would be spent on our exports, even if the aid was not tied.

Senator PROXMIRE. So far on these two important measures, you favor making the deficit even deeper.

Mr. BLOUGH. On No. (ii), I would favor making the deficit even deeper, that is correct.

Now on (iii), the accelerated removal of trade barriers, under the Kennedy Round and later programs, I am all in favor of that, but I don't think it is going to do our balance of payments much good. We have a trade surplus. The European countries in particular do not wish to increase our surplus at their expense. For that reason I do not believe that in their negotiations under the Kennedy Round they will agree to arrangements that will benefit our balance of payments. I hope I am wrong about that.

On No. (iv), yes; I think Mr. Mundell in his paper has pointed out that the European countries should have made more use of fiscal policy.

Senator PROXMIRE. Again, you don't expect much reaction on this. We can't do anything about it?

Mr. BLOUGH. There is nothing we can do about it except to advise and help them.

On No. (v), "programs to broaden non-U.S. capital markets"; I think that is a very useful solution for the future, if you could get the major European capital markets integrated into a continental system with the type of securities and exchange commission laws we have in this country, accounting controls, financial statements that mean something, and the publication of information such as we require. If you could get those kinds of reform in European capital markets, I think it would make a good deal of difference.

Again, we can advise, we can urge, but we can't force them.

No. (vi). Efforts to encourage foreign travel to the United States, and also to discourage U.S. travel abroad, are, I think desirable; although I suppose that it may be politically impossible. But tourist travel is pretty much a dead load. It presents an opportunity for further action.

Senator PROXMIRE. But again, you wouldn't anticipate that this would be a significant—or a very big—part of the solution.

Mr. BLOUGH. The British limited travel abroad and especially tourist travel after World War II. Other countries have done the same thing. We could do it too.

Senator PROXMIRE. I misunderstood. You say we should discourage our travel abroad?

Mr. BLOUGH. Yes, to the extent we politically are willing to do it. Economically, I think it would be a desirable thing to do, rather than some of the other things that we have been doing. And perhaps we could, through domestic currency expenditures, encourage enough foreign travel here to make a substantial impact on the balance of