GATT agreements, countervailing action on their part against us. Also, we are in the middle of the Kennedy Round, trying to get trade barriers down so that total trade can be increased. It is hard to think of a time to take such action.

But when we look ahead 5, 10, 15, 20 years, considering ways by which countries can make balance-of-payments adjustments, I don't think we can exclude consideration of what are in effect partial devaluations hidden in the form of uniform tariff increases across the board. But we are not now in a position even to consider such methods.

As for further reduction of U.S. private capital outflows by the United States, (ix); this is a very difficult, intricate question. I would say that I am not enthusiastic about the methods we are using, but I don't have anything better to suggest. There is a qualitative problem here as well as a quantitative problem, and we have tackled only the quantitative problem.

As for No. (x), increased monetary stringency by the United States—it is pretty stringent now. I would not recommend that.

Senator PROXMIRE. Let me add just one other here, because I think there might be an eleventh point. How about increased fiscal restraint by the United States—the kind the President suggested yesterday?

Mr. BLOUGH. I think, looking back, that effective action was very much overdue. But anti-inflationary measures have their risks. For example, the Council of Economic Advisers and the President in 1949 were proposing an anti-inflation program to Congress, when later statistics showed that the economy had already started into recession.

Now my guess is many economists have been hesitant about recommending tax increases because they weren't sure how long the inflationary pressures would last. Often there are lags in the impact of tax measures. So that while action ought to have been taken quite a while back, including further increases in taxes in the early part of this year, I am not going to criticize. That is water over the dam.

Senator PROXMIRE. In that connection, I have one more question and I apologize for having taken so long.

The President yesterday proposed as his most spectacular anti-inflation proposal, suspension of the investment tax credit. Secretary Fowler appeared before this committee in February and firmly and flatly opposed such a suspension and documented it very well. After his appearance he sent me a memorandum with a series of reasons for his opposition. One is that it would have an adverse effect on our balance of payments. In this connection he said:

> The investment credit helps the balance of payments in two direct ways. One, it makes investment here in the United States more attractive, and, two, it encourages modernization and cost cutting to strengthen our export position.

Then he went on to point out that there is a lag, which he documented, in the effect of suspending the credit so its prime impact won't be felt for a year.

Just 2 days ago the papers reported the National Industrial Conference Board survey, which showed that beginning in the third and fourth quarters of 1967, business now plans to cut back their invest-