Senator PROXMIRE. You say they have not been. Do you say they have been uniformly inaccurate and that they have uniformly understated the actual result?

Mr. DESPRES. The actual result for the remote future.

Senator PROXMIRE. Is that your assertion?

Mr. DESPRES. I gathered that was——

Senator PROXMIRE. No, no; it is your assertion that they have been consistently inaccurate and they have consistently understated the actual result as it turns out.

Mr. DESPRES. Not that they have been inaccurate. I don't know whether they have been inaccurate or not, but that what they purport to tell is investment appropriations, investment decisions already made at the reporting date, and it is necessarily true for most corporations that they haven't made up their minds. They haven't made many of the appropriations yet for the latter part of 1967.

Therefore, whenever these surveys come out, they show a decline for the more remote dates to which the surveys refer, and the figures do not purport to be a forecast of what capital expenditures will actually be at these remote dates.

But looking at the trade balance, what one finds is that a considerable part of the increase in imports is in this machinery and equipment category, precisely because of the long delivery delays on many machinery and equipment lines, if you ordered them from domestic manufacturers, so that the only point, the only real point I wanted to make here was that the limitation was on the supply side, not on the incentive side as of today.

Senator PROXMIRE. You make a further point that from the balance-of-payments standpoint, if what you say is correct, the investment credit suspension might have the effect, the beneficial effect of making it easier to secure machinery and equipment domestically, and, therefore, diminish imports of machinery, and, therefore, benefit our balance of payments, reduce our deficit, increase our trade surplus.

Mr. DESPRES. Benefit our current account, let's say. One has to remember that our current account moved from a very, very small surplus in 1959–60 to a surplus of around $8 billion in 1964, with no corresponding change in the so-called net deficit. There are feedback effects, so that very often when our current account "improves," our capital outflow tends to increase. When our current account "deteriorates," our capital outflow tends to be reduced. And this item-by-item approach to balance-of-payments improvement always overlooks that.

In other words, it cannot be said that if our trade balance improved this will improve our balance of payments. It might and it might not. Indeed, I think that the circumstances of European domestic boom under which our trade balance improved from 1960 to 1964 worsened our balance of payments.

In Western Europe, domestic investment took the place of the former export surplus, and the financing of their domestic investment because of our lender-of-last-resort role automatically caused capital outflow from the United States to increase.

Now I can't say that the reverse will happen now because things are so messed up on capital movements, that they might. Retardation