I have said repeatedly before this committee that I trust, along with you, that the time can come sometime in the not too distant future when we can throw out these restraints on the free movement of capital without running the grave risk of inviting back a very substantial balance-of-payments deficit.

Mr. CURTIS. Here is the point, Mr. Secretary. Just as your Fowler report points out, although you don't want to get into this business of making detailed recommendations as to removal of foreign restrictions and methods by which other countries could improve their domestic capital markets, you clearly recognize that this is the situation. Now I think you are saying that these kinds of restrictions are being increased by countries abroad, not decreased, because of the very policies that we have taken in the interest equalization tax. That is why it is pertinent to our discussions here because these are tax treaties in which you are going to have to deal with other nations and you can't come in on the one hand—I don't imagine you can have successfully—and argue for a liberalization in the tax area, when at the same time you are imposing these very rough restrictions on U.S. capital flow abroad. I don't see how you can separate the very reasons that you have mentioned, that this is a long-range situation.

You are creating difficulties, I would suggest, through the interest equalization tax. Every day it is on the books the problems become more complex. Foreign nations are looking for news ways of retaliation and certainly the Treasury and the administration should be shocked into some sort of action I would think when the figures of 1964 show this turnaround of net foreign investment in the United States.

Secretary FOWLER. Congressman Curtis, the facts are that the interest equalization tax, rather than causing foreign governments to inaugurate additional and further restrictions, has served as much as any other development to focus the attention of foreign govermnents, and of international bodies such as the OECD, to the very fact that there is a permanent structure of foreign controls on the movements of capital. These controls are getting more attention today in Western Europe than they have at any time since the war.

So the fear that you have has not been realized. I think the emphasis is the other way.

Mr. CURTIS. Mr. Secretary, then please explain to me why in 1964 you had this great turn around where the net sales of domestic stock by foreigners in 1964 totaled $350 million compared to sizable net purchases in the previous 5 years. There is what we are faced with and this is not the context in which your statement is made, because I read what your statement said as far as this picture is concerned.

I just think the administration is hiding from reality. It isn't a question of fear. It is a question of fact. What is your explanation of this fact?

Secretary FOWLER. I don't have an explanation of that fact. I think my statement points out that there are many, many factors that are at work that change the ratios of gross to net in the balance. For example, in 1958 there was also a net sales figure.

Mr. CURTIS. What was that, do you know?

Secretary FOWLER. $56 million.