Mr. CURTIS. I meant the IDB.

Mr. SCHULTZE. I want to make sure it is clear that the Development Loan Fund is in AID.

Mr. CURTIS. But the point is that we frequently take only one segment of the foreign aid program.

Secretary FOWLER. Mr. Curtis, just to correct that, the interest equalization tax does not apply to less-developed counties. They are exempted under that and it applies only to developed countries so there is a consistency between the interest equalization tax and the AID program in that regard.

Mr. CURTIS. That is a fair point to make. I would go further in my discussion to point out that although that is a valid point to make, I don't think the point will hold up——

Mr. SCHULTZE. Mr. Curtis, may I——

Mr. CURTIS. Yes.

Mr. SCHULTZE. I would like to put this in context. You can go down through some 1,500 appropriations and I guess we could have a debate as to the merits and priorities of each appropriation. I think the most essential element is the fact that, as I pointed out in my statement, first, outside of Vietnam Federal expenditures are taking a smaller and smaller share of our gross national product, having fallen from 16 percent of GNP in 1964 to 14.8 percent of GNP in 1965, the year we started with here, down to 14½ percent now, even when I exclude PC's, since I realize you don't agree with our PC's.

In that context, we have chosen what, I believe, is a middle ground between those who feel the answer to all the problems of this country is just spending more Federal money, and, on the other hand, those who feel that any increase in Federal expenditures is somehow wicked.

We think we have taken a reasonable middle ground and like anyone on middle ground we, of course, get hit by both sides. We can argue about the priorities of each program if you want, but I would like to do it in the context of that overall framework which, I think, is a meaningful measure of what has happened to expenditures.

Mr. CURTIS. I am sure you would like it in that context because you might win it because the context itself overlooks a number of basic points.

No. 1, although this is a criterion, and an important one (expenditure as a ratio of GNP), what really we have to get to is what should the optimum ratio be. We have been dealing in ratios since World War II and, I think, it is about time we started dealing in ratios over a longer period of time or project our minds into the future to see what these optimum ratios should be.

Furthermore, most important, gross national product is only a measure of economic activity. We have forgotten our wealth statistics. Gross national product, if it reflects misguided economic activity, could actually be eating up our wealth.

Mr. SCHULTZE. There is absolutely no indication that I know of from any of our statistics that in some sense our wealth is not appropriately keeping up or is not in line with gross national prouct.

Mr. Curtis, if I might——

Mr. CURTIS. Well, you made a statement. I just want to correct it.

Mr. SCHULTZE. Go ahead.

Mr. CURTIS. The subcommittee of the Joint Economic Committee on Economic Statistics held hearings in this very area and I hate to inform