Representative CURTIS. Now one of the other thinks that will be before Ways and Means almost as soon as we get back after raising money—I might say here that the Democrats do that as well as the Republicans around this time of year. Yesterday they tried to claim that when Lincoln ran the second time he didn't run as a Republican but as a Union candidate.

The interest equalization tax is up again before the Ways and Means Committee, and it has been proposed that the President be given the power to double the tax. To me this is a very unwise approach. Of course, I opposed it in the beginning. By the way, I was very pleased to see an article by Jack Behrman, who was the former Assistant Secretary of Commerce under President Kennedy's administration. He is now teaching at the University of North Carolina. He points out in this article that our foreign investment comes back within 2 years, so the impact of this on our international balance of payments actually is not as great as is often said. Certainly in the long run the restraints are deleterious, because as you mentioned, our greatest asset in our international balance of payments is our plus on trade and investment income. We have been getting a fine return on our investments abroad.

What is the policy, if there has been any expression on the part of the Federal Reserve, on continuing what was supposed to be a temporary restraint on private investment abroad?

Mr. MARTIN. Well, it is our hope that the voluntary foreign credit restraint program, which is our arm of this, you see, will not become permanent, but we decided after considerable discussion this year to continue it for another year and see how things develop.

Representative CURTIS. Did you continue it simply because of the equities involved, or did you do that as a basis of policy because you thought the entire weapon of restraining investment abroad was sound economics for these times?

Mr. MARTIN. We thought that under the current circumstances, the way it has been working, that it would be wise to give this a further try, and we have been following it very carefully. You know we have one of our Board members who works on this full time.

Representative CURTIS. I know. Let me see if I am coming through to you clearly. When we put the interest equalization tax into the law, it was quite a job to try to hit other areas in the same way, and now your program is part of a third area of control. But I think that it relates more to the inequity of hitting only one form of investment. When we first applied the tax, bank loans increased as a way of getting round it. Now the question is on direct investment. I am trying to find out whether the Fed's position is based on the fact that a principle has been adopted, to my regret, by Congress and the President and you are simply implementing that to create a more equitable situation, or do you think that the law itself is sound, and that we ought to be restraining foreign investments because of our problem with the international balance of payments. Do you understand what I am trying to say?

Mr. MARTIN. I think I got what you are saying but it is not easy to separate it. For the long term there isn't any question we favor foreign investment. It is an asset to us over the long term.