Mr. KINDLEBERGER. But sir, if I may say so, my attack is of this sort.

Senator SYMINGTON. It what?

Mr. KINDLEBERGER. My attack goes along this line. The Secretary of the Treasury says we need a correction in the balance of payments of the United States. The only way to correct the balance of payments of the United States is to cut off the capital flow. We cut off the capital flow, then we will not provide enough reserves to the world. Therefore, we need the international reserve unit. You end up with the international reserve unit and no capital market, because you have cut the flow off. That is all I am objecting to.

If you were to do both that is fine. I have no objection to that. All I am saying is that creating the international reserve unit strikes me as being of lesser importance. I don't quite dare say secondary importance with my learned friend here, but almost secondary importance as compared with preserving the international capital market.

Representative MOORHEAD. Thank you, Mr. Chairman. My time has expired.

Representative REUSS. Mr. Roosa, back on the question of the investment credit tax. Suppose as the months of spring go by that Congress deems the overall economic situation to be such that there are soft spots in it, and that it doesn't want to risk the fall-off in consumer demand that would ensue from enacting the 6 percent across the board income tax increase. You have suggested that we ought to do something by about July 1 on the investment credit, because if you just let it go and you revise it next January 1, there is going to be what Walter Heller has called an "air pocket" in back of it.

Mr. ROOSA. Yes.

Representative REUSS. On the assumption I give, where the Congress feels that it shouldn't pass an across-the-board tax increase, would it not make sense to reinstate the investment tax credit as of July 1, and accompany that by an increase in the corporate income tax of a level about sufficient to recapture the $1.5 billion which I believe are lost to the revenues per year by the investment credit?

If you don't do that, you are going to cause an interference with monetary policy, because the Federal Government will have to borrow $1.5 billion which it otherwise would not have to borrow.

Mr. ROOSA. Yes. It depends on what the considerations are that have led the Congress to feel by that time that no tax increase should be enacted. And here we are just guessing. If the soft spots are found to be quite serious, then it may well be you should do it without the offset, and accept the deficit, the larger deficit, as essential. You could then borrow the needed additional money in short-term form to help avoid risks in the interest rate structure.

But I can also well imagine the situation that you have described. I can also imagine one in which it would be decided to put the surcharge on, and in order to assure that there isn't an implication of disparate treatment, there be some slight difference between the corporate rate and the personal rate when the investment credit is reinstated.

It seems to me that credit itself plays such an important part, not only in the stimulus that it gives to additional investment, but in the