

government expenditures abroad, the British pound has become untenable. Although we are very strong in the United States the problem of transferring resources abroad or buying resources abroad from other people to maintain our power position is not necessarily related to our ability to produce in the United States unless we devise, as I said, a garrison state where we take the goods bodily and take them to Vietnam or to the Philippines, American products, and you don't have to depend upon purchases from other countries.

This may be done, but I think it is going to be done under mobilized wartime economy.

Mr. ULLMAN. Do you agree with the differentiation between developed and underdeveloped countries in the treatment of investment? Do you agree that it is desirable policy to encourage investment in the less developed countries?

Mr. DANIELIAN. I think we ought to distinguish between the balance-of-payments significance of it and the social or political or economic significance. From a balance-of-payments point of view I do not accept the distinction. I think investments in some of these countries are less secure. The income is less.

If I were really looking at the long-range interests of the United States I would like these investments at high interest rates in secure, stable countries with convertible currencies.

For instance, instead of India I would prefer to have investments in Germany. Furthermore dollars spent in those countries don't necessarily come back to the United States. So here we are mixing a social and political objective with a balance-of-payments objective which necessarily are not parallel. But if we assume that obligation as a national policy I do not find it difficult to live with.

Mr. ULLMAN. You would agree that it would be more desirable to put dollars over on a sound investment basis than it would be on some of the aid programs we have had?

Mr. DANIELIAN. Right, no question about it. I think that the more we transfer noncompensatory and nonrecoverable expenditures into income-bearing investments, the better we will be.

Mr. ULLMAN. If these dollars of investment were to replace other kinds of dollars, then it would probably be a very desirable objective?

Mr. DANIELIAN. Yes. Actually when you look around the world you find that much of the resources that we get out of investment income we turn around and give back to them as foreign aid after having charged taxes on the income.

I mean in terms of quantities in the area of \$3, \$4 billion a year.

Mr. ULLMAN. Thank you, Mr. Danielian. You have been very helpful.

Mr. HERLONG. Mr. Collier will inquire.

Mr. COLLIER. Dr. Danielian, I want to echo the sentiments of my colleagues here in telling you I think that your book on the U.S. balance of payments is without a doubt the most comprehensive study and evaluation of our critical problem that I have read. I recall that in 1964, I believe it was, you were down here testifying on the interest equalization bill. You at that time pointed out the direction in which we were traveling with regard to our serious balance-of-payments problem and made certain recommendations which had they been fol-