

ceeded the amount of funds available, the amount of funds made available for aid in economic and technical assistance, there would have been some opposition to it at that time.

Dr. KENEN. I do not have the ADA testimony at hand, but it is my recollection that the thrust of that testimony was, and has always been, to favor economic assistance and I would even in the face of the present balance-of-payments constraint, the urgent need to improve the balance of payments, strongly urge that the already trimmed—trimmed is not the word—deeply cut economic aid program be spared from further cuts.

Mr. COLLIER. God help us.

Dr. KENEN. This I believe was the thrust of the ADA testimony at that time, and I think the case holds even today. The economic aid program, development assistance, is an extremely important instrument of American policy and should not be sacrificed for the balance of payments. Its net cost on the balance of payments, one must add, is somewhat small because most of the aid money is spent in the United States, and even that part which is not spent within the United States goes to countries which return dollars to this country in their ordinary spending.

Mr. COLLIER. You tie into the balance-of-payments problem, and properly so, the equally critical gold drain problem, and do you attribute the acuteness of the gold flow to the war in Vietnam also?

Dr. KENEN. The gold flow of 1967 occurred as you know, mainly in the last weeks of the year following the devaluation of the pound. The immediate cause was concern that the United States might devalue or that the price of gold might be raised. There was, in other words, a drain of gold from official hands, American and foreign, into the hands of private purchasers.

One cannot relate that drain in any direct way to the war in Vietnam. One can say, however, that so long as we have a deficit in our balance of payments, there will be an incentive for private speculators to buy gold and, in consequence, we will lose gold, and so long as we are in Vietnam, I fear that there will be a tendency for us to run a payment deficit.

Mr. COLLIER. I thank you.

Dr. KENEN. The connection is indirect, but not tenuous.

Mr. CONABLE. Mr. Chairman.

Mr. HERLONG. Mr. Conable.

Mr. CONABLE. Mr. Kenen, doesn't the ADA sponsor European and Middle Eastern tours?

Dr. KENEN. It may do so, sir. I don't know.

Mr. CONABLE. I have received some literature advertising such tours by the Americans for Democratic Action. I wonder if there had been any reassessment of that policy on the part of your group.

Dr. KENEN. I do not know whether there has been a revision of that policy. Excuse me. I am just told, sir, that it is under reconsideration. I would hope, in any case that members who travel will pay their taxes.

Mr. CONABLE. Thank you.

Mr. HERLONG. Any further question? Mr. Ullman will inquire.

Mr. ULLMAN. I want to join in welcoming you before the committee. Way back when I attended Columbia and got my master's degree there in public law I had great respect for your school of economics.