

Mr. WIDNALL. And they wanted the original operation to be on a sounder basis, if possible.

Mr. BLACK. That is correct. But that is the ordinary capital in the Bank.

Mr. WIDNALL. Secretary Barr, it is claimed because of tied loans and local project costs being assumed by host countries that the balance-of-payments impact in this bill would be minimal.

Do you think that the extent an additional \$200 million U.S. contribution would add to our Federal budget deficit, that indirect balance-of-payments considerations remain, in short, increased Federal deficit are inflationary and inflation is a primary cause of fact in the balance-of-payments deficit?

Mr. BARR. Mr. Widnall, first of all let me speak to this question of the indirect effect on balance of payments.

As Mr. Black has indicated to you, in this special fund for the Asian Bank, we do not anticipate financing any local costs, so we will not have that trouble, some issue of additionality or substitution of U.S. dollars for the exchange that they might otherwise have spent. So this is out of the way in this institution.

Now, the second portion of your question as to the inflationary impact of a budgetary deficit, I think you will also see in Mr. Black's statement that there is no impact on the fiscal year 1968 budget and it would be my best guess, the impact of 1969 would be small. I would think there might be, if you were going at a rate of \$50 million a year, I think on the expenditure basis I would doubt that more than \$25 million would be expended, more might be committed, but no more than \$25 million spent.

So for the 2 years, for the fiscal years that we are looking at at the moment, I would think that the expenditure impact of this proposal would be confined to an area of not more than \$25 million in the next 18 months.

Mr. WIDNALL. What you are trying to gain by this bill is the ability over a period of 4 years to have an authorization of \$50 million per year?

Mr. BARR. That is correct; that is the authorization which the Bank will use to make commitment.

Its disbursements, as you know, would run considerably behind its commitment.

As I understand your question, you addressed to the inflationary impact on the United States.

Mr. WIDNALL. That is right.

Mr. BARR. And I would give the committee my best judgment that any inflationary impact, and by that I mean in addition to our expenditure deficit, would be in the area of \$25 million at most in the next 18 months.

Mr. WIDNALL. That is all, thank you.

Mr. REUSS. Mr. Gonzalez.

Mr. GONZALEZ. Mr. Black, are any of the nations contributing to the special funds earmarking their funds for any special project?

Mr. BLACK. I think the other countries that will contribute to this fund may have the right to earmark their money for specific purposes.

For example, we will earmark our money, if this legislation is passed, primarily for the use of Southeast Asian countries.