Some economists argue, however, that the U.S. must look to its domestic problems first, maintaining full employment even by inflation. Yet this prescription will tend to remove the dollar from its role as the international currency, for continued U.S. inflation relative to others will bring strong pressure to devaluation. But the key currency—if the dollar so remains—cannot be the subject of devaluation; others will merely follow, and the consequent disruption from such an attempt would be a firm signal that the U.S. has abandoned its role of world leadership in economic affairs. Not only will it have abandoned that role, it will have done so through the route of controls and the abolition of trade and capital movements, pushing the world back to the 1930's.

Chairman PROXMIRE. Thank you, Mr. Behrman. Thank you, gentlemen, for your most stimulating presentations.

Mr. Behrman, I would like to start with you. Your analysis indicated that a $1 million investment abroad may, on the average, require a capital outflow of only about $250,000, as I recall it.

Mr. BEHRMAN. That is correct, on an aggregate basis; yes.

Chairman PROXMIRE. And you conclude that the payback period of U.S. investment abroad is about 2½ years in an average or normal situation?

Mr. BEHRMAN. Yes, sir.

Chairman PROXMIRE. If this is true, it is obvious that some investments must pay back in 12 months or 18 months or you have some examples of very, very big and important areas where you have no outflow at all in the payback?

Mr. BEHRMAN. Yes, sir.

Chairman PROXMIRE. In view of this would it be possible to administer a program that follows up on your interesting suggestion on page 8 when you say, "A careful selection of projects be approved which would require the least outflow and provide the largest and most prompt return to the United States of funds."

In other words, would it be possible to say that you would make investments that would pay back in 18 months or 24 months or maybe even 12 months? Is this a feasible alternative or not?

Mr. BEHRMAN. No, sir; I would not think so, for this reason: The decision of a company to pursue an investment project takes about 2 years in gestation. I am talking about a new project, an acquisition or an establishment of a new project, not an expansion of an existing one.

If the company had any idea at the end of a year and a half or 2 years with the cost of investigation being several hundred thousand dollars, that the Government would say "No," the initiative on the part of the board or any other official is going to be seriously damaged.

Chairman PROXMIRE. Are you saying that you simply cannot determine in advance?

Mr. BEHRMAN. You cannot determine quickly in advance.

Chairman PROXMIRE. You cannot determine what?

Mr. BEHRMAN. Quickly in advance, what the payback will be. In fact, some of the payback which I have indicated—that is, an expansion of exports before construction—comes only after an announcement of the fact that the investment will take place. You cannot be sure of that, that the demand for imports in the foreign country will go up until the announcement is made. You can guess it, but you could not prove it to the Department of Commerce.

Chairman PROXMIRE. Then I take it that in view of your very convincing argument—you have had an enormous amount of experience