

in this since you have been studying it for 15 years, and I doubt if any competent expert or economist has made the kind of exhaustive studies you have—would you conclude that it would be wise not to approve the President's proposal. I do not know if we can do anything about it except, as you say, examine the legal authority, because the President does not come to Congress asking to restrict investment. As I understand it, he is acting under a law passed many years ago.

Mr. BEHRMAN. In 1917.

Chairman PROXMIRE. At any rate, as far as your position is concerned, do you think it is an unwise policy on the part of the President to impose this restraint? If this is true, would you go further and repeal the interest equalization tax and would you go further and repeal the Commerce Department's so-called voluntary program, and would you also repeal or rather reverse the Federal Reserve Board's restraint on banking institutions as to lending abroad?

Mr. BEHRMAN. Senator, if we were in 1965 I would have said—as I said at the time, or in 1962 or 1963, when the interest equalization tax went on—we should have done none of those things at that time.

Representative RUMSFELD. Would you repeat that? I am having trouble hearing you.

Mr. BEHRMAN. I am sorry. I say if we were in 1965 when the voluntary controls went on or if we were now in the period when the interest equalization tax was imposed—was it 1963, Fritz? I have forgotten—I did say then that we should not have done any of those things. On the contrary, what we should have done, having a strong dollar as we did at that time and a strong economy with an inflation rate much lower than anyone in Europe, instead of crying the weakness of the dollar, which we did officially all over the world, have declared the strength of the dollar and used our gold reserves to meet the deficit, and continue to maintain the dollar strength, we would not be in the position we are in now.

Chairman PROXMIRE. What would you do now?

Mr. BEHRMAN. Now? All right. Now you can save by constraints, as we are now doing on controls, an amount of money from a capital outflow, let us say \$1 billion or whatever else, which is what they are after, you can save \$2 billion, 1 year at a time. To me this will not solve any of the problems which Fritz Machlup laid out very nicely. What we are saying is that somehow \$2 billion can do something to solve fundamental problems of confidence. I do not think it can.

On the contrary, we are building up problems for the next few years which, in my view, are equally or more serious, because we will not get back the plus flow we would normally get back in 1970-1971, and additionally we are telling the rest of the world that we are somehow not strong enough to maintain our responsibilities. My answer, Senator, is "Yes;" I would ask that these not be continued.

Chairman PROXMIRE. Not be continued?

Mr. BEHRMAN. Not be continued.

Chairman PROXMIRE. All right. You say you could not quantify it, but could you give us any ball park estimate on your very interesting observation that the outflow of U.S. capital tends to slow down our economy and speed up the economies abroad, and, therefore, seems to have something of a counterbalancing effect on our balance of pay-