

Mr. BEHRMAN. How much? That is a difficult thing for me to say. I would have to study that, Mr. Boggs.

Representative Boggs. I know, but we are right up against it right now, today, so you tell me where.

Mr. BEHRMAN. All right. If you will give me a little time to study the total budget and exactly where it has been increased——

Representative Boggs. I thought maybe you had done that before you came.

Mr. BEHRMAN. No; I did not come to talk about the domestic budget.

Representative Boggs. How can you separate them when you say the domestic economy is the answer to these foreign problems?

Mr. BEHRMAN. Simply because the dollar strength is determined domestically, Mr. Boggs.

Representative Boggs. OK, then give me the answer domestically.

Mr. BEHRMAN. All right; the answer domestically is to reduce the inflationary pressure, the expansion of credit and the Government expenditure and to raise taxes, all four of them. Now, it has to be done to the point where the result is a rate of inflation under that of European countries, and that point is not determinable in advance; it has to be done by several methods; the piano has to be played with several notes and continuously—not one at a time.

Representative Boggs. Let me understand exactly what you are saying. You are saying that travel restrictions, capital restrictions, withdrawing troops abroad, reducing foreign aid commitments will have no impact?

Mr. BEHRMAN. No, sir; I did not say all of those. I am saying that the capital restraints will have a minor impact, much less than has been claimed.

Representative Boggs. What about travel restrictions?

Mr. BEHRMAN. Travel restrictions; I do not think we will get more than \$200 million or \$300 million out of that and it is at very heavy cost in terms of restrictions and——

Representative Boggs. What about——

Mr. BEHRMAN. Withdrawing troops.

Representative Boggs. Just a minute—the growing percentage of the export-import gap?

Mr. BEHRMAN. I am sorry, I do not get the question.

Representative Boggs. The fact that our exports relative to our imports are now showing a considerable decline, almost alarmingly so in the fourth quarter of 1967.

Mr. BEHRMAN. Well, the gap has been cut largely by a rise in imports, Mr. Congressman.

Representative Boggs. Of course.

Mr. BEHRMAN. Right. Well, not “of course.” It could have been a drop in exports as well. But exports have continued up, not as much as——

Representative Boggs. Not proportionately.

Mr. BEHRMAN. Right, and this is exactly what Professor Machlup is pointing out.

Representative Boggs. I did not hear his full statement.

Mr. BEHRMAN. Well, the drop in our financial outflows has been matched by a partial drop in exports.

Representative Boggs. Let me ask you this question because my time is so limited. Assuming that Congress reduces all of these items that