

indexes. Do you gentlemen really think that we can keep on running a \$4 billion external military deficit in our balance of payments, and make it all up on our composite of our conventional accounts, that we can be mercantilist enough to run that kind of a trade surplus, and that somehow American tourism patterns are going to change and Americans won't want to go abroad any more, and, hence that we are going to get our tourism in kind of a balance somehow, or that American investors won't want to invest abroad?

I just cannot see how in the long run or in the short run we are going to get our balance of payments into shape just by pursuing the sound internal spending, taxing, and money policies that we all stipulate we need to start pursuing.

In other words, aren't we overlooking the biggest thing, namely our meddlesome propensities in the world, and as long as those propensities continue at the level which they are now at, aren't we in bad trouble on our balance of payments? Mr. Butler?

Mr. BUTLER. If I could speak first to this, hopefully briefly, I think you have a real point. We put out, as I remember it, \$8 billion last year in economic aid and overseas military expenditures. I think we cannot conceivably, no matter how good our domestic policies are, support at this time \$8 billion of overseas Government spending.

Now, \$1.5 billion of this, or something like that, was directly related to Vietnam. Some of it was offset by tying aid to exports or foreign purchases of military things here, but, nevertheless, it seems to me that, short of greater agreement on the part of other countries to aid in the support of the defense and economic development of the free world, we cannot afford \$8 billion.

I think if we could get an end to the conflict in Vietnam, we would save roughly \$1.5 billion. I think if we were to review our other overseas commitments, that we might find some way to reduce them by, say, a half billion dollars. In balance-of-payments terms every billion dollars counts, obviously. I think we could probably assume that we could support \$6 billion of military expenditures plus economic aid at the moment. I think this could increase, over time, in a very useful way.

I think this does not necessarily mean reduced support on our part of economic development. I think it can increase the flow of private investment, and that you can improve the efficiency of the moneys we would then spend under economic aid. But I would agree that prerequisite for getting our balance of payments under control is some review and reduction in what we are trying to do overseas.

I do not think that this need means a reduction in travel or international investment. Our international investment, I think, pays off very, very handsomely. I would like to support what Jack Behrman said. We did an extensive study of the balance-of-payments impact through the operation of international oil companies which showed a very big and very quick payoff for the moneys that we put out in terms of investment in international oil. I think we can support the travel drain. I think we need to do what we can to encourage people from other countries to travel here. As their incomes rise I think this will naturally increase. I do not think we have to, as you put it, reduce our propensity to invest in travel overseas. But, I think we have to reduce, at least for the time being, some of our military and perhaps economic aid commitments.