

tribute to the discussion of remedies for the overall balance of payments problem. I, accordingly, ask that it be included in the record.

Chairman PROXMIRE. Without objection, it is so ordered. (The memorandum referred to appears as part 4 of these hearings.)

Senator MILLER?

Senator MILLER. Thank you, Mr. Chairman. Professor Machlup, you stated that there are some who believe that 1 percent gross national product ought to be about the amount of foreign aid. Do you share that belief?

Mr. MACHLUP. This is a normative statement, sir, and the question is whether, for humanitarian reasons and from a world outlook, we believe that more should be done for the development of backward nations.

Economists usually eschew taking such a normative point of view and confine themselves to analyzing the implications.

If you ask me, as a citizen, whether I believe that a rich person should give to the poor and that a rich country should give to poor countries, I would say "Yes." As a citizen, I approve of such policies. And, as an economist, I can say that the economy can make it possible to pursue such policies.

Senator MILLER. Well, as an economist you certainly recognize that there might be other factors to be taken into account in determining whether in one particular year this should be 1 percent or 5 percent or 3 percent or possibly even none, wouldn't you?

Mr. MACHLUP. As an economist I would say that the reduction of such items will not necessarily lead to a reduction in the balance-of-payments deficit. Sir, this is similar to what we hear now, constantly, about the effects of our Vietnam expenditures. As a citizen, personally, I am not happy about the whole Vietnam situation, and probably few people are. But, as an economist, I would not expect that a termination of our military operations in Vietnam will lead quickly to an improvement in the balance of payments. There may be strong offsetting changes. If we spend less in Vietnam for military purposes, we may spend more for economic aid. But, if we spend neither for economic aid nor for military purposes, then the Vietnamese will buy less, and other people will buy less, and our exports will decline. In addition, we will probably increase expenditures at home, and our imports will increase. So there may be offsetting changes in our balance of trade.

Thus, while the administration and others have great hopes that a cessation of our operations in Vietnam will quickly lead to an improvement in the balance of payments, I do not share this hope. I expect some slight improvement, but the improvement will probably be only a part of our reduction in military expenditures.

Senator MILLER. Do you have any figures on how much the Vietnam war means in terms of the balance-of-payments deficit?

Mr. MACHLUP. No, sir; and no one can have exact figures. We have figures for direct expenditures. That we do know. But we do not have the figures for the indirect effects for all that the military expenditures abroad and the defense expenditures at home do to other accounts of the balance of payments. These indirect effects we can guess, but we cannot know them.

Senator MILLER. It seems to me I have heard a guess by some administration officials that the figure of \$2 billion is the impact on the balance-of-payments deficit of our expenditures in the war in Vietnam.