Assuming the validity of the guess, it would appear that if the cessation of hostilities would mean almost a complete drop or a very large drop—let us say over half of the outflow of funds to Vietnam—that this would perhaps have a $1 billion impact, which would be rather substantial; would it not?

Mr. MACHLUP. I do not know whether the guess of $2 billion is a good guess.

Senator MILLER. I know. That is why I said assuming the validity of that.

Mr. MACHLUP. Assuming the validity means trusting the guesses of the feedback effects, and this makes it all so hazy. We do not know the feedbacks. We do not know, if we spend $2 billion, how much of it comes back in the form of payments for American goods and services. On all these things we are very much in the dark, and we could not say what the impact of a cessation of military operations will be.

I would like to repeat that I very much hope for a cessation, even if I do not think that this would have such an enormous effect on the balance of payments.

Senator MILLER. You are covering your statement by saying "such an enormous effect," and in all fairness I do not know of anybody in the administration who has made the claim of an enormous effect. The only point I want to bring out is that it could be a substantial effect, in the neighborhood of $1 billion, and if it would be in the neighborhood of $1 billion this would certainly be a substantial impact on our balance-of-payments deficit.

Mr. MACHLUP. You are quite right; $1 billion is a lot of money.

Senator MILLER. You stated that there are other nations that are doing better than 1 percent of GNP. They are doing better in relation to their economies than the United States.

Mr. MACHLUP. Yes.

Senator MILLER. Are any of those nations involved in a war?

Mr. MACHLUP. No, sir.

Senator MILLER. Well, then you recognize that the impact of a war on the economy of a country can make a lot of difference in whether it can do as well or better than this 1 percent, do you not?

Mr. MACHLUP. I agree fully with that.

Senator MILLER. Another question: In the last 7 years, according to the figures from the Treasury Department, the purchasing power of the dollar has declined from approximately 47 cents to approximately 40 cents. Would this not have an impact on the desirability of foreign dollar holders to turn their dollars in for gold?

Mr. MACHLUP. To answer this, we would have to make certain distinctions. First of all, between official dollar holders and private dollar holders, and secondly, among different reasons for which these private dollar holders hold their dollars.

Most of the private dollar holders would not be greatly concerned by price increases within the limits that we have had during the last few years, because their own countries have had much greater price increases in terms of their currencies. In other words, they would not have fared better if they had held French francs or if they had held Italian lire. The point here is again——

Senator MILLER. Wouldn't they have fared better if they had held gold?