Mr. BEHRMAN. No; I am sure he might not have in this circumstance.

Senator MILLER. My time is up, but I hope I can ask a few more questions and I do appreciate the fine answers.

Chairman PROXMIRE. Congressman Widnall?

Representative WIDNALL. Thank you, Mr. Chairman. The few questions that I will ask I propose that all of you answer. I think they are pretty much in point. Would you support imposition of a temporary import surcharge or a system of border taxes?

Mr. MACHLUP. No, sir; I would certainly not. I would say that this could even increase the deficit in our balance of payments, because it could lead to retaliation. Except, of course, if you can, in advance, secure agreements from our major trading partners. If they agree through GATT that we will be permitted to do this as a balance-of-payments measure, and the other nations accept it and will not retaliate, then it might be of temporary use. But let me immediately add that it would be a most inequitable and most unfair measure to take, because it would increase the protectionist effects of our tariffs and, therefore, the distortions in the use of our productive resources.

If you were saying you would like to have a tax on all imports, that would be something else, but a surcharge on import tariffs is very different, because there you change the differences between prices of different imported goods and homemade goods, and the products that already have protection would get more protection. So that would be a very harmful thing to do, and I would hope that the Congress would never consider such a move.

Representative WIDNALL. Mr. Butler, what is your reaction?

Mr. BUTLER. I agree completely. I think it would be a great mistake.

Mr. BEHRMAN. I also agree.

Representative WIDNALL. What would be the impact of the curbs on foreign investment on U.S. interest rates and on interest rates abroad?

Mr. MACHLUP. The impact of our curbs on capital outflows?

Representative WIDNALL. On U.S. interest rates and on interest rates abroad.

Mr. MACHLUP. Well, there is no doubt that any reduction in the outflow of American capital must make interest rates abroad higher than they otherwise would be, and if these interest rates should rise substantially, that would lead to an outflow of foreign capital from the United States, which would partly defeat the purposes of the initial restraint.

Mr. BUTLER. Interest rates in Europe have not risen since the imposition of these controls. Euro-dollar rates are down from the level that they were. I think this is important because foreign central banks have been feeding money into the Euro-dollar market. I would agree with the longer term impact that Dr. Machlup suggested, and there has been an increase in American companies borrowing in Europe, and in time I think this will lead to higher interest rates, but it has not to date.

Representative WIDNALL. Mr. Behrman?

Mr. BEHRMAN. There is an ancillary impact, and maybe Mr. Butler will indicate agreement in the same analysis, but there is an impact through the diversion of flow of capital. For example, Canada sustained a substantial outflow after our recent mandatory controls,