fairly complete picture, with figures sufficiently detailed for me to be quite satisfied with the present statistics. Not satisfied in the sense that I would not like them to show more favorable results, but satisfied with the information that they reveal.

Senator MILLER. Then as far as you are concerned, when we receive a figure of a favorable balance of trade of $3.8 billion for 1967, you think that net figure has been refined enough for purposes of discussing the impact of the balance of trade on the outflow and inflow of dollars?

Mr. MACHLUP. Yes; I think so.

Senator MILLER. Is it possible that in order to make sure that spending would be reduced by a surtax, that there should be some kind of credit controls to accompany this?

Mr. MACHLUP. We do have credit controls by the Federal Reserve System all along.

Senator MILLER. I am talking about retail credit, for example.

Mr. MACHLUP. I do not believe very much in selective credit controls. I think the most general controls are more efficient, the one through Federal Reserve policy—through open market policy and interest rates—and the other through fiscal policy, particularly taxation.

Senator MILLER. I understand that, but if I gage Senator Proxmire's concern correctly, he suggests that even though a taxpayer's income is reduced by a surtax, that that would not necessarily prevent him from either going into his bank account to get the money or going to some credit agency to get the credit to engage in purchases, and if you want to cover that base, would it not be important to consider credit controls of some kind with respect to the individual consumer?

Mr. MACHLUP. I would warn against such a policy, which would lead us to more and more restraints and Government interventions. I would rely on the tax increase to do its job without being reinforced by selective credit controls.

Senator MILLER. You see we have received some intimations from some people of concern over the tremendous expansion of consumer credit, and at a time when we are trying to reduce spending and hold down inflation. This kind of a suggestion naturally is something that should be considered. I do not say it should be followed, but I would like to get your evaluation of it. I think at least we ought to give the tax surcharge a chance to work.

Mr. MACHLUP. Right.

Senator MILLER. Before we go to something else.

Mr. MACHLUP. Yes, sir.

Senator MILLER. Thank you. Now, Mr. Butler, quoting from your statement, you say:

> * * * and we must avoid actions on our part such as quotas, border taxes and other devices which provoke retaliatory actions abroad.

Do I infer from that statement that you would be agreeable to saying that we need not avoid actions on our part such as quotas, border taxes, and other devices which do not provoke retaliatory action? I mean, is the converse of this statement applicable to you?

Mr. BUTLER. I am not sure I would go along with that. In revising the text I took out border taxes, I would have to say, which, is a very difficult and complicated question. But, what I am trying to say is, that if we do what we have to do to deal with our domestic problem of inflation, which I think we need to do for domestic reasons as well as