concentrated on one specific limited element of it, but, certainly, Mr. Norris and Mr. Hamilton, you most emphatically disagree with much of what he has proposed.

I would like to ask you to tell me whether or not on each of the elements in the President's program you think, No. 1, his estimate of savings is about right or exaggerated, or even in the wrong direction for the first year; and, then if you care to do it, how long before you think this kind of a program, if persisted in, would become perverse.

In the first place, the mandatory investment program. As I understand it, mandatory investment restraints. the President said, would save $1 billion, or he wants to save $1 billion; that is the goal. The Federal Reserve restraint would have $500 million additional restraint; the travel restraint a half billion dollars; the repatriated earnings, which I guess is about a half billion dollars; and the Government expenditures overseas, a half billion dollars.

I presume there is no argument on the last part. That is pretty simple. So, let's take the $2.5 billion of the program other than the Government expenditures overseas. Mr. Hamilton.

Mr. HAMILTON. With your permission, Mr. Chairman, I will stick to the aspect I know best, the mandatory program.

Chairman PROXMIRE. There is no reason you should stick to the parts you know best. We don't do that in the Congress. Give me your impression on all of them. It would be helpful.

Mr. HAMILTON. On the mandatory program, the savings of $1 billion could be made by either controlling the outflow or asking companies to increase the inflow, not necessarily through the repatriation of dividends, with all of the consequences I have mentioned, but, if necessary, bringing it back through other sources, including the proceeds of borrowing.

Chairman PROXMIRE. So you think that the estimate may be in the right amount? I am just asking whether you do?

Mr. HAMILTON. I think the $1 billion would be achievable. Obviously, if only 50 companies bring back $20 million more in 1968 than in 1967, the target is achieved.

Chairman PROXMIRE. How long before it has a perverse effect for reasons that you have so well spoken of?

Mr. HAMILTON. If you are doing this through new investment, then, of course, I think we have to rely on Mr. Behrman's estimate that it is probably 2 or 3 years before this begins to——

Chairman PROXMIRE. Within 2 or 3 years. In other words, this will contribute a negative element to our balance of payments.

Mr. HAMILTON. Right.

Chairman PROXMIRE. Not a positive element.

Mr. HAMILTON. But, if this is attempted through the repatriation route, and you get the kind of retaliatory and competitive problems which I have referred to, then, of course, the consequences would be much quicker.

Chairman PROXMIRE. Well then, the repatriated earnings you would agree could be a half billion dollars. It would be deteriorating more rapidly than the investment.

Mr. HAMILTON. The question is, rather, whether you bring it back solely from native companies by having to have them declare and pay out extremely high dividends, or whether the Department gives