

What we have worked out with the Canadians, Mr. Widnall, is an arrangement whereby we allow investment, lending, borrowing to flow pretty freely across the border without restraints under our balance-of-payments program. The Canadians agreed to make sure that any U.S. funds that came in would not flow on to other countries and in that way evade our restraints and that they would put all of the dollars that came into their reserves except those they need for day-to-day working balances into long-term U.S. securities. This is why we got the billion-dollar investment from Canada. It will not be the Canadians' intention to build up their reserves by borrowing from us. This is the best way—this I am very happy with. I would say do not change it. I do not know of any better way to improve it although it is unique to Canada. There is not an economic barrier, even though national boundaries exist between the two countries.

My recommendation is to keep this. If you can improve on the German offset, do so. I certainly would, and I think there is room for improvement.

Representative WIDNALL. Thank you, Mr. Secretary.

Mr. Chairman, my time is up.

Chairman PATMAN. Senator Proxmire?

Senator PROXMIRE. First, I want to compliment you, Secretary Barr, for your charts on the comparisons of the budget outlays and tax function. We have needed this for a long time and I think it underlines the importance of our being careful about providing further tax credits, and so forth, which have a superficial appeal but which really have the same effect on our budget as expenditures do.

Secretary BARR. That is correct.

Senator PROXMIRE. The suggestion that Chairman Mills made, I think, that we find some way of incorporating this into the budget, I think is very good.

Secretary BARR. I agree.

Senator PROXMIRE. Very helpful if we had some kind of a separate budget so we would have them both in the congressional eye.

Secretary BARR. If we had more time I think we might have got it into the budget. We were a little bit late this year, but I support your recommendation.

Senator PROXMIRE. Now, I am very concerned—and except for the timing I would have gotten into this exchange with Senator Javits—I am very concerned about what happened to the tax reform package. In February of last year Secretary Fowler assured this committee that we would have the tax reform recommendations in 1968. We did not get them in 1968. And later on at another time the indication was if we passed the surtax, it would come shortly after that. It did not come shortly after that, or at all. Now it will come as I understand it, to the Senate Finance Committee and the House Ways and Means Committee, but not to the Joint Economic Committee.

I hope this is not a precedent because we need that in this committee. It is very important to this committee. And I hope it will not be a precedent with either President Nixon or in 1973 with President Kennedy. [Laughter.]

If this committee does not have that kind of information it is going to be very, very difficult for us to serve our purpose which is to advise the Congress on economic policy.