curred. And such deficits were tolerated as matters of national policy, even in years of high level economic activity and growth. Government expenditures have been used as a tool for assuring desired economic growth rates.

If this country were to accept deficits equal to the Italian deficit as a proportion of gross national product, our budget would fall short of Government income by $15 billion annually. At the French level, our deficit would run substantially over $25 billion.

2. The basic stimulant of the Common Market has been the clear prospect it holds out for expanding continental markets. This has been sufficient to float a boom in capital expansion for the six EEC countries, which, in turn, has shored up the economies and rates of capital investment for other countries of the hemisphere, with the possible exception of Great Britain.

In addition, government itself has taken direct responsibility for projecting various sectors of domestic markets. France, for example, using input-output analysis has projected a 5-percent growth in gross national product for 1962. Although this is less rigid than a fixed national plan, it is more substantial than a mere forecast of trends. It becomes a key and goal for the patterns of initiative from both private and government sectors of the economy. Although the decisionmaking power remains officially in private hands for the most part, such private decisionmaking is influenced and guided by specific knowledge of national, sector, and industry patterns, and by the more basic assurance that markets to absorb output of newly created capacity will also be created.

Government policy in all EEC countries has called for various forms of guidance to private investment.

3. Direct government support and stimulus has gone to the creation of foreign markets, which account for a larger sector of each nation's output.

Export subsidies in various forms, import limitations or levies, and other forms of control, have been used substantially by all EEC countries. They are continuing in use, though to a lesser degree in relation to other members of the Common Market, for the purpose of maximizing imports and favorable balances of trade.

To assume any rigid application of strict free-trade principles among EEC countries is currently unrealistic.

4. Unemployment levels have been kept low (see table III), and, as a consequence of relative shortages of labor, wage levels have risen rapidly. As the New York Times reported (Jan. 9, 1962):

"For the workingman, despite occasional headlines about strikes, 1961 was the best year ever, particularly in the private sector.

"Wages in Europe are not easy to measure, partly because of the large social security element. But in some countries they went up by more than 10 percent in 1961, and in almost all by more than 5 percent. The major reason, no doubt was the labor shortage and the classic operation of the law of supply and demand.

"This huge increase in mass incomes—to the extent it was not taken away again by higher prices—laid the foundation for a big burst of consumer spending. This was already being felt in such countries as Germany and France as the year ended.

"This 'push' from the consumer side, was one main reason why forecasts for 1962 remained, on the whole, optimistic."

No restraints from government so far have been placed on wage gains running far above gains in productivity of European labor.

The Wall Street Journal of July 17, 1962, reported some pressures developing in this direction in West Germany: "Mr. Erhard (Economic Minister for the Bonn government) has warned that soaring wages and prices threaten to price German manufactures out of world markets."

The Journal account of this declared that West German wages rose 11 percent last year, as compared with a 4-percent productivity gain.

Secretary of Labor Goldberg reported, early this month, that wage settlements this year in the United States have averaged 3.2 percent. This figure does not, of course, include substantial areas of industry in which no wage changes have been reported.

It is beyond question that recent gains made in wage levels and in purchasing power by the mass of West European peoples have been proportionally much greater than those achieved in this country. They have been gains from a lower base than our own. But to fail to see a correlation between such gains and gains in gross national product, also from a base far below our own, is to ignore basic economic fact.