

the expanding European market in this area. I want to say that we surely agree with that objective and then ask Mr. Gordon to comment on the specific proposal.

Representative REUSS. And to comment on your comment before we hear Mr. Gordon, I agree with you about the propensity to spend of the American consumer. However, in order to have that 92 percent propensity to spend applied to a higher income total, you have to give a tax cut or otherwise increase income, which in the immediate period ahead would increase the deficit.

I am looking, as you are, for additional and auxiliary or substitute methods which would stimulate the economy without increasing the deficit.

Dr. HELLER. I think that clarifies any possible misunderstanding on that point.

Mr. GORDON. Mr. Reuss, this is my first exposure to this proposal. I think it is a very bold and stimulating idea which I presume has been discussed with the State Department. I didn't know that.

Representative REUSS. The State Department's position is that the United Kingdom's entry into the Common Market is so desperately important we should do anything, including cutting our own economic throat, to help force the issue. I don't see their logic. I wonder what you think of their economics.

Dr. HELLER. That was not a direct quotation from the State Department?

Representative REUSS. No, it was an embroidery, but I defy you to produce from them any justification much different from what I have just said.

Mr. GORDON. On the economics of the matter, I must say I would agree virtually completely with your premises. I think there unquestionably is a very substantial potential market for consumer durable goods in Western Europe. I think that the effect of this kind of action might well be attractive to European countries as a means of reducing inflationary pressures which some of them are now having considerable difficulty with. It would obviously have very beneficial effects for our balance of payments. So in the quite narrow economic analysis of the proposal, I must say it strikes me as very attractive.

But it is clearly a proposal which has dimensions that go beyond the narrow economics. I think it is on this score that I would want to be somewhat reticent. As all of us know, the United Kingdom and the Common Market are presently engaged in negotiations. These negotiations apparently have reached a very delicate state. I would think that it might be argued, although I haven't had an opportunity to think it through, that a proposal of this kind at this stage would constitute a very disturbing element in the present delicate state of these negotiations.

But if I can separate the appraisal of the economic effects from the political-diplomatic effects, I would certainly say that on economic grounds it is most attractive.

Representative REUSS. Thank you for your answer. I will ask just one more question on it. Don't you think that looking at the opportunities available to us to achieve our economic goals of maximum employment, maximum growth and expansion of our exports so as to improve our balance of payments, this is one of the more promising opportunities that presents itself?