

their names. Prof. Day, if you are ready, you may proceed in your own way.

**STATEMENT OF PROF. ALAN DAY, PROFESSOR OF ECONOMICS,
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Mr. DAY. Mr. Chairman and gentlemen, I am very happy and honored to have this opportunity to appear before the Joint Economic Committee. In this statement, I propose to discuss the economic situation of the United States and, in particular, the implications of the present situation where economic activity appears to be slowing down at less than full employment levels, but with a continuing balance-of-payments problem.

Despite the immense wealth and prosperity of the United States, there have been, in the past decade, increasing signs of certain weaknesses in her economic position. None of these appears to be insoluble, and since some of them are somewhat similar to weaknesses that have existed in the British economy for an even longer period of time, it does seem that British experience can be helpful in the determination of the strategy of American economic policy.

It cannot, of course, be claimed that Britain has herself solved these problems, largely deriving from her early industrialization and from the widespread international use of her own national currency. But it is sensible to try to prevent the United States from making mistakes which have long caused difficulties for Britain.

In particular, I would like to mention two: The first is that of the complacency of a country which has led the world in industrial techniques and productivity—as Britain did in much of the 19th century and as the United States does now. This complacency tolerates a slow growth of productivity in comparison with other countries, such as Britain has tolerated through the 20th century and the United States is in danger of tolerating now. The second mistake is that of giving undue importance in the determination of economic policies to the maintenance of the international status of one's national currency. Repeatedly since the First World War, Britain has restrained domestic expansion in order to maintain international confidence in sterling. Until recently, the strength of the dollar has been such that no such problem has arisen for the United States. But now, the same problem has arisen here. The maintenance of the international use of one's national currency as a reserve and trading currency, in the way that sterling and dollars are used today, can impose significant restraints on a country's domestic freedom of action.

In the past decade, the U.S. economy has experienced a slower growth of industrial production and of industrial productivity per man-hour than any other major country, in either the Western World or the Soviet bloc—with a single exception, namely the United Kingdom. The growth which has taken place has been marked by a series of minor trade cycles.

It has been accompanied by a modest degree of inflation of consumer prices; the rise has been rather under 14 percent in 10 years, which is considerably slower than most European countries and indeed is probably not excessive in view of the failure of the index to take adequate account of quality improvements and in view of the almost inevitable