

If this painful choice is to be avoided, action must be taken very soon to create adequate supplies of a new reserve currency, to use that currency to replace the international use of sterling and dollars for reserves, and, preferably, to introduce a greater degree of exchange rate flexibility.

Chairman PATMAN. Thank you, sir.

Our next witness will be Dr. Lolli. Dr. Lolli, we are glad to have you, sir.

**STATEMENT OF ETTORE LOLLI, EXECUTIVE VICE PRESIDENT,
BANCA NAZIONALE DEL LAVORO OF ITALY**

Mr. LOLLI. Mr. Chairman, members of the committee, it is a proof of the existing international cooperation that the United States, the outstanding teacher and example of economic growth and full employment, should now be asking some of its pupils and followers in Europe, to tell the United States what was so recently learned from it.

It is with humility, and as an act of appreciation for all that you did so generously to help us effectively, that I will try briefly to return a little of what we learned:

1. The difference in basic resources, stages of development, industrial organization, and other key factors between the United States and Europe are so great as to make their problems of economic growth fundamentally different.

A higher rate of growth can be achieved more easily if the starting level is lower; and so in the European countries, either destroyed by war or not so highly developed, industrially and economically, as the United States, it was relatively easier to achieve a higher rate of growth in the postwar years. But to the extent that there are some basic common factors I will try to mention them.

2. First, it must be clearly understood that after a certain stage of economic development in a so-called affluent society the problem is not of output, but of disposal of output.

The action of the Government, therefore, should aim not at increasing output but at disposing of a naturally increasing output.

As far as personal consumption goods are concerned, the Government cannot do much. Food consumption and durable and non-durable consumer-goods consumption has reached in the United States such levels that they practically cannot be increased further (except of course, inasmuch as population increases).

The Government might buy surplus production and distribute it abroad (as is done in a certain measure for food) but this is only a negligible palliative.

The Government's action, then, should be directed toward the disposal of the output of investment goods. This can be done by financing better housing, better roads, better schools, better public transport, better health services, and so forth.

This means, physically, a shift of employment patterns from output producing employment to output consuming employment.

3. The picture seems clear from a physical point of view. But what is to be done practically, in terms of monetary and fiscal policy?