

This has deeply concerned me. You gentlemen, as international experts, can help. Isn't it perfectly possible that by raising interest rates to cope with our balance-of-payments problem, we are on a fool's errand? As we increase our interest rates, there is every reason in the world why European countries would increase theirs, maintain the differential. They have far greater domestic reasons to do so.

Their price levels have risen more than ours, they have a shortage of labor and industrial capacity, quite the contrary to what we have. No matter what we do, isn't it likely that their interest rates are going to continue to be higher than ours, particularly since international trade is so much more important to all of these countries than to this country, and they have every reason to maintain this advantage?

Mr. NIEHANS. I don't think it is quite true. If you look at statistics and graphs, you see that interest curves in different countries show quite different shapes. They do not move together at the same time.

If the U.S. interest rates should go up, this would have some repercussions on interest rates in other countries, too. But I believe it is very unlikely that even a large part of the whole effect will be lost this way and in some European economies the money liquidity is such that the repercussions will probably be very small indeed.

I believe that most of the effect will still remain in operation and will not be nullified this way.

Representative REUSS. Gentlemen, we are very grateful to you for your learning and clarity and your frankness and good humor and we thank you very much.

Mr. Day, I understand you have a statement of a colleague.

Mr. DAY. I have, sir. Mr. Chairman, Mr. Robert Neild of the National Institute of Economic Research in London was asked to attend these hearings and, unfortunately, was unable to do so. But he asked me to convey to you a copy of a statement that he has written on these topics which, incidentally, includes a recommendation of gold guarantee so that makes four; perhaps you would care to have it written into the record.

Representative REUSS. I am sure we would, and without objection it will be incorporated in the record.

(Statement of R. R. Neild follows:)

THE NATIONAL INSTITUTE OF ECONOMIC & SOCIAL RESEARCH,
Westminster, S.W. 1., August 10, 1962.

HON. WRIGHT PATMAN,
Chairman, Joint Economic Committee,
U.S. Congress, Washington, D.C.

DEAR MR. PATMAN: I am very sorry that I had to refuse your committee's invitation to come and give evidence to them during their present hearings. I feel most honored to have been invited. Had it not been for the pressure of other commitments, I would most gladly have come.

In case it may be of some use to you, I have quickly set down my views of the present problems of the U.S. economy in the enclosed note. Please excuse the shortcomings of a note prepared in haste.

Yours sincerely,

R. R. NEILD, *Deputy Director.*

THE BACKGROUND

Over the past decade, the United States is conspicuous for its slow rate of growth, its poor employment record, and the deterioration in the position of the