(1) It has long been recognized that short-term speculative international capital movements are a disruptive force ordinarily lacking economic function. Since improved communications have brought nations closer together, these are likely to prove more troublesome in the future than in earlier times. Some things have been done to limit and offset these, but very likely not enough. Interestingly, much current discussion takes it for granted that in determining U.S. domestic policies for full employment we should avoid doing anything that would offend the ideas or the prejudices of the currency speculators.

(2) Recent experience has illustrated the systematic tendency for capital to escape from a country experiencing recession, where interest rates are down and investment prospects temporarily unattractive, to a country with a boom, where the opposite conditions prevail. Obviously, this is destabilizing to both countries.

(3) A general system of free international movement of capital implies equal freedom and equal development of the domestic capital markets of the various nations. Otherwise, the nation with the freest and best developed capital market becomes the dumping ground for issues that are excluded from or cannot be serviced in their home market. Since many nations now evidently do not intend to have free domestic capital markets, it is not reasonable to require that those that do have them permit capital ouflows rising out of this discrepancy.

(4) Long-term international private capital movements in the modern world have political implications different from those of the last century in at least two respects: (*a*) In the ideological struggle for survival that now dominates the world, in which growth in economic strength is crucial, a nation may not be able to ignore the cost to its own economic growth and standard of living that results from the export of its capital. (*b*) Private investment abroad often damages the lending country in international political terms because of suspected "imperialism," because the investments arouse antagonism among inhabitants and lend fuel to antidemocratic forces, because the government of the lender later feels impelled to defend the investments against expropriation at political cost to itself, et cetera. In this political invironment, to pretend that international capital movements are purely a matter of private concern may turn out to be a costly oversight. In considering what are reasonable rules of the game for capital movements, we should perhaps be doing more looking ahead and less looking backward.

A PROGRAM FOR U.S. POLICY THIS YEAR

Since it may be useful for discussion and for evaluation of the actions that the Government does finally take this year to have some concrete suggestions as to a course of action, let me outline a set of policies that I think would lay the groundwork for a prompt movement of the U.S. economy toward full employment.

I should emphasize the importance of beginning constructive policy actions immediately. The present position of the U.S. economy is such that the prevalent forecast of a recession next year is not at all implausible. A recession, once permitted to begin, has a momentum of its own that precludes its immediate correction. If recession is per-